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REMARKS

1-7/3: Looks like their debacle here didn't hurt them all that much — —

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It is a pleasure to send this copy of our 1982 Annual Report.

Although we welcome your comments, please do not feel that an acknowledgement is necessary.

S.C. JOHNSON

President
Burroughs Standard Products Group

System Development Corporation A Burroughs Company

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Ready for the future

"We are firmly established in one of the most promising growth industries of our time... we have addressed all of the essentials—human resources, technology and customers—constructively and comprehensively."

W. Michael Blumenthal,
chairman of the board and chief executive officer

Burroughs quality policy.

We shall strive for excellence in all endeavors.

We shall set our goals to achieve total customer satisfaction, and to deliver error-free, competitive products on time, with service second to none.

W. Michael Blumenthal, chairman
Paul G. Stern, president

Financial highlights

Burroughs Corporation and subsidiary companies

(dollars in thousands, except per share data)	Year ended December 31 **1982**	1981	Change
During the year			
Revenue	**$4,186,251**	$3,405,428	+23%
Earnings before income taxes	**75,128**	254,126	- 70%
Income before cumulative effect of accounting change (a)	**91,228**	148,926	- 39%
Cumulative effect for years prior to 1982 of accounting change (b)	**26,400**		
Net income	**117,628**	148,926	-21%
Earnings per share			
– before cumulative effect of accounting change (a)	**2.17**	3.58	-39%
– cumulative effect for years prior to 1982 of accounting change (b)	**.63**		
– net income per share	**2.80**	3.58	- 22%
Dividends declared per share	**2.60**	2.60	
Research and development expenses	**220,560**	176,749	+25%
Capital additions			
- rental equipment	**412,702**	289,378	+43%
- properties	**225,509**	245,746	-8%
Depreciation and amortization	**379,858**	303,527	+25%
At year end			
Working capital	**$1,250,992**	$1,363,858	-8%
Total assets	**4,123,123**	4,439,400	-7%
Total liabilities	**2,082,474**	2,259,324	-8%
Shareholders' equity, net	**2,040,649**	2,180,076	-6%
Shareholders' equity per share	**48.36**	51.88	-7%
Number of shares outstanding	**42,196,000**	42,022,000	
Number of shareholders	**56,000**	56,000	
Number of employees	**62,000**	66,900	

(a) Net income for 1982 was reduced by adjustments made in the fourth quarter amounting to $81.2 million, or $1.93 per share, as discussed in note 3 of the Notes to consolidated financial statements.
(b) See note 2 of the Notes to consolidated financial statements for discussion of accounting change for inventories.

"The ambitious goals of a worldwide information systems company in the 1980s...require excellence in the management of human resources."

W. Michael Blumenthal

In a time when change in general is accelerating, the information systems industry is evolving at an astonishing pace.

Viewed quantitatively, this change appears as an explosive growth of everything associated with our industry. In technology, for example, we continue to compress ever more memory capacity onto a single silicon chip, and to do so in less and less time. As noted elsewhere in these pages, our Company's products number in the thousands—and we are but one member of a vendor community that now includes some 6,500 suppliers of hardware alone.

Looking at the growth of the industry as a whole, we see a steeply-rising curve. From 1975 to 1981, according to the Department of Commerce, the value of worldwide shipments of electronic computing equipment grew by the tens of billions—increasing 283 percent in those six years.

Viewed from a different perspective, such growth and change pose not only great opportunities, but also formidable challenges for our Company: to understand our technology, our customers, and our marketplace, then to innovate, to manufacture with quality, to market complete-systems solutions, to service and to support what we have made and sold—and to continue to do all of that continuously, profitably, and at the highest levels of performance. This is what we must do as well as—and better than—our competitors, if we wish to thrive in our environment.

And we have dedicated ourselves to being the kind of Company that does just that.

However, we are convinced that the ambitious goals of a worldwide information systems company in the 1980s require even more than this. They require excellence in the management of human resources—a deep and thorough understanding of how people should be recruited, trained, organized, utilized, motivated, and rewarded.

We are taking such tasks very seriously at Burroughs these days. That is why I want to share with you our understanding of what we must achieve in this area, as well as the strategies and programs that will make it all happen.

Our goals are to find the best people and provide them with stimulating and rewarding work; to organize their units and branches and groups so that all of this talent is utilized effectively; to polish their professional and managerial skills so that they can perform as efficiently and with as much individual discretion as possible; and to make sure that their sophistication about our products and the needs and expectations of our customers (all of which are becoming more complex and changing constantly) is maintained and enhanced.

Above all, we must meld our people into effective teams whose members can balance individual initiative and collective decision-making, and who are dedicated to excellent performance and service to customers—those intangible ideals that ensure that all the rest of their tools and training will be put to the most potent and effective use.

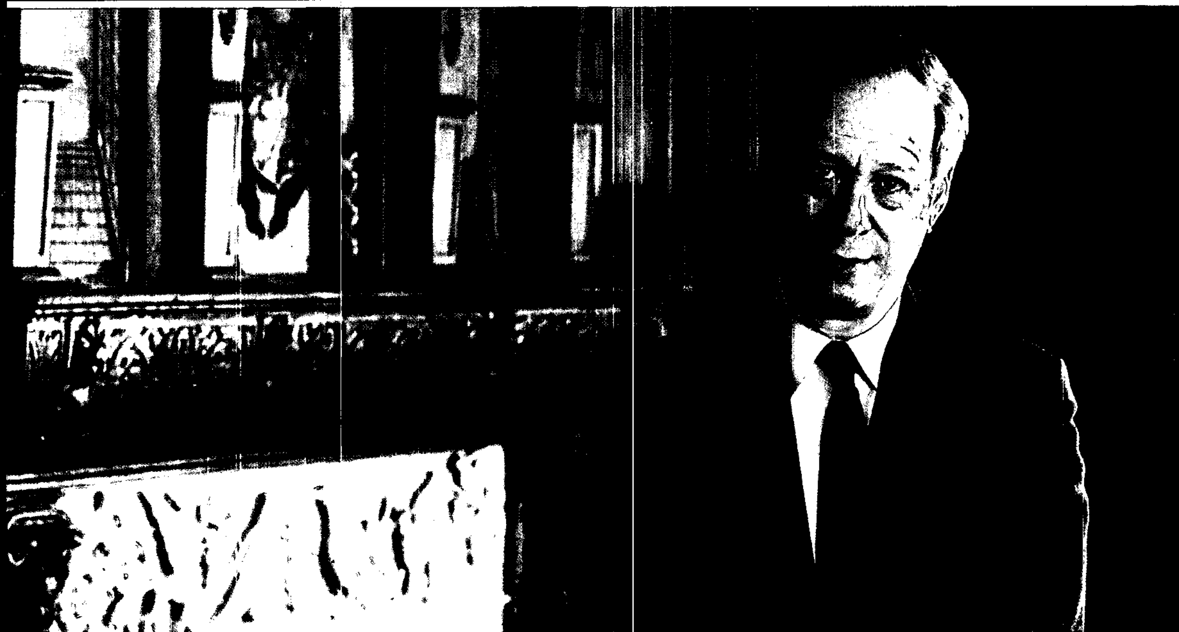
These goals are, of course, relevant to any business enterprise. But they are particularly challenging in ours, made so by the very growth and change which, like air inflating a balloon, stretch the surrounding and supporting structures with their insistent and incessant pressure.

Our industry continues to experience a pervasive shortage of trained personnel. The need for people to configure, operate, program, and service millions of computer systems has simply outstripped, at least for the time being, the nation's ability to supply such people. The Bureau of Labor Statistics predicts that by 1990, there will be 730,000 more people employed in these four categories than there were in 1980. That number represents a 61 percent increase, with one category—field engineer—enjoying a demand spurt of over 92 percent. Overall, between the growth rate of the computer industry and the growth rate of its human-resources component, there is a disparity of 213 percent.

But this is not a problem of mere numbers, for between now and 1986 alone, the industry as a whole is expected to absorb more than 750,000 new people. Equally critical is our deficit of experienced managerial, scientific, and technical personnel. No such people are entering the field, simply because no such pool of individuals exists, apart from those who are already in it. Even the finest academic training-grounds cannot offer the real-life skills application and business exposure that comes from day-to-day involvement in the life of an organization such as ours.

Finally, there is the ever-present risk that skills, unless continuously upgraded, will become obsolete. Our scientists and engineers must keep up-to-date on the latest developments in their respective disciplines. And our salespeople cannot be fully effective unless they keep abreast of our customers' information-related problems,

We are fully committed to... quality and excellence in all things."



as well as of the products and systems that we offer as solutions.

It should be clear by now why we place human and organizational matters at the very core of our Company's plans for success and profitability in the rest of this decade. Let me then sketch for you some of our policies and programs that respond to these concerns.

As we reported in 1981, we have inaugurated a massive training program that will eventually include all of the managers in the Corporation. Our vice presidents have already participated in a course which was designed especially for them and which places special emphasis on attacking specific, high-level business problems with teams of individuals from various disciplines.

The core of the program, however, consists of two courses. Introduction to Management is intended to give all newly-appointed managers a broad understanding of the Company's organizational structure, value system, and expectations. It was developed in 1982, and about 350 new managers will go through it in 1983. Effective Management, aimed at a wide group of middle managers, provides the knowledge and skills necessary to manage people for maximum performance while keeping them challenged and growing on the job. More than 400 people took this course in 1982. By the time 1983 ends, these two core courses will have generated more than 35,000 student-hours of training.

To encourage independent and responsible judgment by middle managers, we are offering a new course in problem-solving and decision-making. It is open to all Burroughs managers, and we expect about 375 of them to take it during the year. We have also launched a Company-wide Performance Planning and Evaluation program which, by the end of 1983, will have encompassed some 40,000 people. It is a valuable exercise in objective- and priority-setting. Its basic premise, very simply, is that people will perform better if they know in advance what is expected of them and how they will be judged on what they do.

"Quality" and "service and support second to none" have become the watchwords to which we are fully committed. To promote the goal of quality and excellence in all things, we have begun a Quality Education program. Its purpose is to increase awareness and understanding of quality-oriented concepts, tools, and management techniques, and to develop in each individual the skills he or she needs in order to define, manage, and attain the Company's quality-related objectives in his or her area. Beginning with officers and managers in engineering and manufacturing, the program will, in one version or another, ultimately be offered to managers in all other disciplines.

Other aspects of our management training are more outward-directed, focusing on the current and changing conditions of our business environment. This year, 80 plant managers completed an operations course. The general managers in our International Group are taking another such course, which includes a computer-simulated model for expansion of their activities into software and services. A third operations course is planned for district managers in sales, field engineering, and software support; this one features an account-management component that specifically assists in managing people who are selling to particular lines of business. In 1984 we will begin a Senior Finance course, which will help upper-middle managers gain better understanding and control of the financial affairs of their plant, district, or subsidiary.

In our international subsidiaries, we are implementing an International Leadership ystem. This highly innovati[...] evelopment program embraces such varied isks and projects as establishing standards and xpectations, gathering feedback, participating i intensive and topical workshops and seminars, nalyzing and attacking major problems, and roviding and monitoring special assignments for ibordinates. But all are directed at two verriding goals: enhancing the capabilities of ur group field managers and improving the ffectiveness of our subsidiary organizations.

Extensive as all of this is, it is only a part of ur human-resources investment. The full ffectiveness of our people also depends on how vell they know the businesses of the customers in ur many markets worldwide. That is why we ave substantially enriched the line-of-business mphasis of our sales training curriculum. Our aining organization graduates 4,000 to 5,000 tudents each year. Well over half of our courses in roduct training now revolve around specific narkets, and they consider the special problems f those markets in meticulous detail. The courses hemselves profit from substantial input from aining consultants, universities, and the rofessional organizations of the businesses and ndustries that we serve.

For 1983, we have established clear priorities ınd some exciting new programs to help us fulfill hem. Certainly, we want to do our best to see that everyone in our marketing groups receives the raining that will help him or her to be as effective as possible. We are especially concerned with enriching and updating the skills of our people who have spent several years in the ield, for while expertise is a great teacher, it is by 10 means the only one.

Finally, we want our sales force to observe irst-hand the day-to-day activities and concerns of the customers in our designated lines of business. As the culmination of their health-care ndustry training, for example, some of them may ictually go into a hospital for a 90-day internship n hospital administration. They observe meetings of the board and other policy-making bodies, hen write a "management analysis" which is evaluated by an official at that institution.

Our objective in all of this is, in a word, professionalism. A professional manager has a horough grasp of the Corporation's structure, aims, and values, especially as they apply to his or her technical discipline, and a highly-developed ability to make sound decisions and work smoothly with others. A professional marketing executive is firmly positioned as a consultant to the customer, as an advisor who either has the answers or knows where they can be found, and, above all, as a person who is equally as concerned with the customer's success as with that of Burroughs.

In 1982 we gave formal expression to our human-resources policy, in a statement distributed to all managers. Its message is that the success of Burroughs Corporation depends heavily on the skills and dedication of Burroughs people and on their resolute commitment to excellence. The statement expresses the goals and ideals to which we as a Company aspire: from each Burroughs person—conscientious and superior performance in the pursuit of the Company's overall aims; and from the Corporation—fair and decent treatment, and a stimulating, rewarding work environment, with opportunities for new growth and development. In my cover letter, I emphasized that this is a living document, "intended to be more than a high-sounding credo; it is a working resource, providing you with guidelines for your day-to-day job of managing and developing people."

Finally, we laid plans for an after-hours training program at world headquarters, modeled after the one now in place at Burroughs [...] which are designed and taught by Company volunteers, are open to any employee. Their subject matter ranges from computer programming to Burroughs products to business writing and presentation skills. That this program fulfills a widely-felt need is obvious from the 750 enrollment applications received this fall. It is an ideal way for students, instructors, and the Corporation voluntarily to share responsibility for career development, and we are considering similar ventures at other Burroughs locations.

I hope that this brief overview has given you some understanding of the many different ways in which the "people" issues must be addressed—and that by now you are as convinced as we are that these issues are absolutely critical to the future of our Company.

The notion "Burroughs people" encompasses everyone responsible for the welfare of our Company—and that most certainly includes senior management and our Board of Directors. In 1982, the board appointed a new president and chief operating officer, Paul G. Stern, succeeding DuRay E. Stromback, who has retired. Formerly executive vice president, Engineering and Manufacturing, Dr. Stern also joins the Board of Directors. At the end of 1982, the board accepted with great regret, the resignation of Martha W. Griffiths, who served as a valued director for seven years. Ms. Griffiths leaves us to become lieutenant governor of Michigan, a post in which all of us at Burroughs wish her the very best. We will miss her wise counsel and her support.

Thomas E. Winter, who resigned as executive vice president, Finance and Administration, also left the board. In January 1983, former Michigan Governor William G. Milliken was elected a director of the Corporation. We are happy to welcome him, and we expect to benefit from his many years of experience in public and business life.

Louis Brandeis once wrote that "in business, the earning of profit is something more than an incident of success; it is an essential condition... because the continued absence of profit itself spells failure." It is, I trust, evident from all that I have said, as well as from the programs and strategies outlined in this year's Annual Report, that management fully understands the meaning of this observation and that we have left no stone unturned in our effort to maintain your Company's long tradition of continuing profitability.

Although our ultimate success depends partly on economic conditions that are difficult, uncertain, and beyond our control, I am optimistic, first, because we are firmly established in one of the most promising growth industries of our time, and second, because I sincerely believe that we have addressed all of the essentials—human resources, technology, and customers—constructively and comprehensively.

It is worth noting that one of the most eminent analysts of our industry predicted that of 1980's top 10 companies, only five would be in the top 10 by 1990—and Burroughs was among the five. We are working to make that prediction a reality, and I see the years ahead as exciting and rewarding for our employees, customers, and shareholders alike.

W M Blumenthal

W. Michael Blumenthal,
chairman of the board and chief executive officer

The words and images in this Annual Report are a measure of Burroughs' ability to guarantee its future by meeting the challenges of its present.

We are now at the beginning of the fourth decade of the Age of Information. Since the introduction of the first commercial computer in 1951, an awesome new power has, within the span of a single generation, become available to millions: the power to manage enormous quantities of information, and thus to calculate, to simulate, to predict—to *know* that which could not have been known before.

Burroughs is, as it has always been, a leading figure in the dramatic development of this new era. We helped to bring it on, with our many contributions to the technology of electromechanical information processing. We helped to drive its progress, by building computers whose architecture makes them easy to program—machines that, years later, are still admired for their innovative design. And we will help define its future, by harnessing our leading-edge technology with superb service and support, to meet the needs of our many markets and to position ourselves for a future that is full of challenge and promise.

As we do so, we will pursue our own distinctive paths to excellence. The words and images of this year's Annual Report are a guide to those paths, and to the ways in which we followed them in 1982.

What is manufactured must first be thought of. Research and development is thus the process by which the future is created in the present. Some of that creation is directed; some is not. Of the $260 million budgeted for R&D for 1983, close to one-fourth will go for research for which no specific product has yet been defined. Not every company conducts this "futures" work, which is often an important source of innovation.

Burroughs engineers are intrigued by almost anything that has to do with the electronic storage, processing, presentation, and transmission of information. But this past year, several areas received special attention, among them, redictably enough, the all-important microcircuit chip.

Our state-of-the-art emiconductor facility at Rancho Bernardo, California, has begun to employ special quick-turnaround mplementation techniques. Progress from design to production of integrated circuits will now be more rapid than ever—and that applies not only o individual chip designs, but also to multiple-device modules, he aggregates of chips that perform a set of tasks.

What is designed must then be built. Our Company operates 56 engineering and manufacturing centers in 13 countries. That number grows through such additions as the System Integration Facility developed by our System Development Corporation (SDC) subsidiary. SDC specializes in government contracts, many of which require the total systems integration of hardware and software. The new facility is specifically designed for that type of operation. It will also house advanced laboratories for demonstrating the latest techniques in command and control systems such as air traffic control and air defense.

Overall, however, the number of facilities declined in 1982. Our products are becoming smaller, and assembling them requires less and less space. Moreover, different components of today's information systems are being manufactured in increasingly similar ways. As we consolidate our plants, we take advantage of these trends and achieve greater efficiency and economies of scale. That we are aware of the human costs of these moves goes without saying, and, we strive, through our outplacement programs, to find jobs in other companies for the people who are affected.

Another way to produce more efficiently: reorganize internally. In May, we created a System Products Group that brings together, into a single organization, all of the planning, engineering, and manufacturing of our mainframe computers and communications systems, from individual chips to the architecture of the systems themselves.

The end-point of manufacturing is, strictly speaking, products. But a complete survey of our Company's products is neither possible nor necessary here. It's not possible because there is such a profusion of them: around 2,500 separate entities, plus the thousand or so products that we no longer make but still support. Combine them into systems, and the number of actual, installed configurations approaches 7,000.

Individual products are still important, however, and the past year saw some major releases: the CP 9580, a high-performance communications processor that can interface to competitive networks; the 3680, an entirely new family of advanced, high-capacity storage subsystems, the result of the superb storage-technology research carried on by our colleagues at Memorex; the B 4900 and B 7900—two new mainframe computer systems that offer expanded power and flexibility to current and prospective Burroughs users; and —developed to our specifications by Convergent Technologies — the B 20, a family of powerful

The photographs on the following pages trace the essential elements of our business: the ways in which Burroughs people conceive, make, sell, and service our products (such as the new Memorex color display station, above).

These elements represent some of the primary challenges that we are meeting today, in order to position ourselves for tomorrow.

What is manufactured must first be thought of

microcomputers that can either stand alone as intelligent workstations or small business-computers, or be hooked into a distributed processing network.

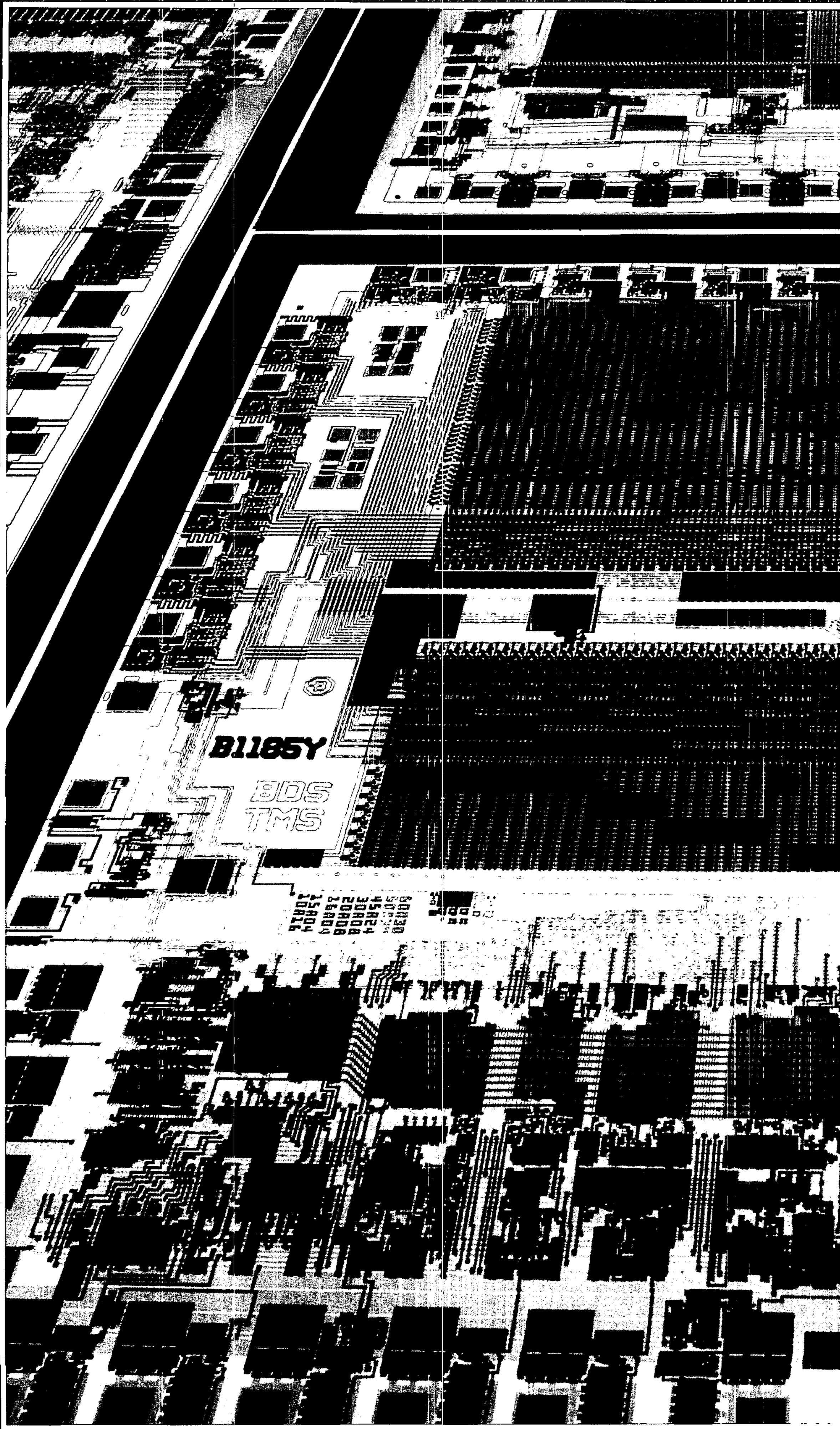
What we build must benefit our users. Individual products, in other words, are significant only insofar as they provide our users with specific and complete "solutions" to their information managing needs, while concerning them as little as possible with the system's separate pieces.

"Business," management scholar Peter Drucker has observed, "has only two basic functions—innovation and marketing." And no company can be successful for long if it is not proficient at both. At Burroughs, each is the subject of continuous scrutiny. Over and over, the conclusion that "we are doing very well" is followed by the question, "how can we do better?"

During 1982, we achieved some outstanding marketing successes, one of which illustrates just how complex and far-flung a single solution can be.

S.W.I.F.T. (Society for Worldwide Interbank Financial Telecommunications, S.C.) is an organization that unites almost 1,000 banks in a computer and data communications network that will eventually include 46 countries. Eight years ago, it selected Burroughs from among 20 vendors who had submitted proposals, because we were uniquely prepared to undertake a project of this size and scope. We

(continued on page 8)



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The process of preparing for tomorrow begins with the pursuit of new and promising ideas by people in our research laboratories and engineering centers.

An important part of that process is the development of our own, proprietary microcircuits at our facilities in Rancho Bernardo, California, where enlarged color transparencies (left) are used to evaluate chip layouts.

As we build products for tomorrow, improved performance is only one of our concerns. In Plymouth, Michigan, industrial designers seek compactness and esthetic appeal as well, as they make subtle surface changes on our products-to-be by shaping precise clay models (above).

What is designed must then be built

had worldwide presence, extensive experience in data communications, a broad product line, mature and proven equipment, and a management commitment to serving the banking industry and to designing and developing advanced communications systems.

Our Company implemented the original architecture of the S.W.I.F.T. network. We provided the mainframe computers in the three major operating centers that route more than 300,000 financial messages a day, as well as the B 20 microcomputers by which the banks interface with the network. And the second-generation system, to be phased in starting in 1984 in order to allow an even greater volume and variety of transaction, will also be supplied by Burroughs, by virtue of an agreement concluded during 1982.

Along with such elaborate, one-of-a-kind configuations on an international scale, we present solutions tailored to particular types of enterprises. It is here that our success depends on how well we know our customers' business. In fact, this "vertical" or "niche" marketing demands that we understand the information-related activities, problems, and trends of our customers' organizations equally as well as the customers themselves do. Accordingly, some 80 percent of our salespeople are now trained in and assigned to a specific line of business.

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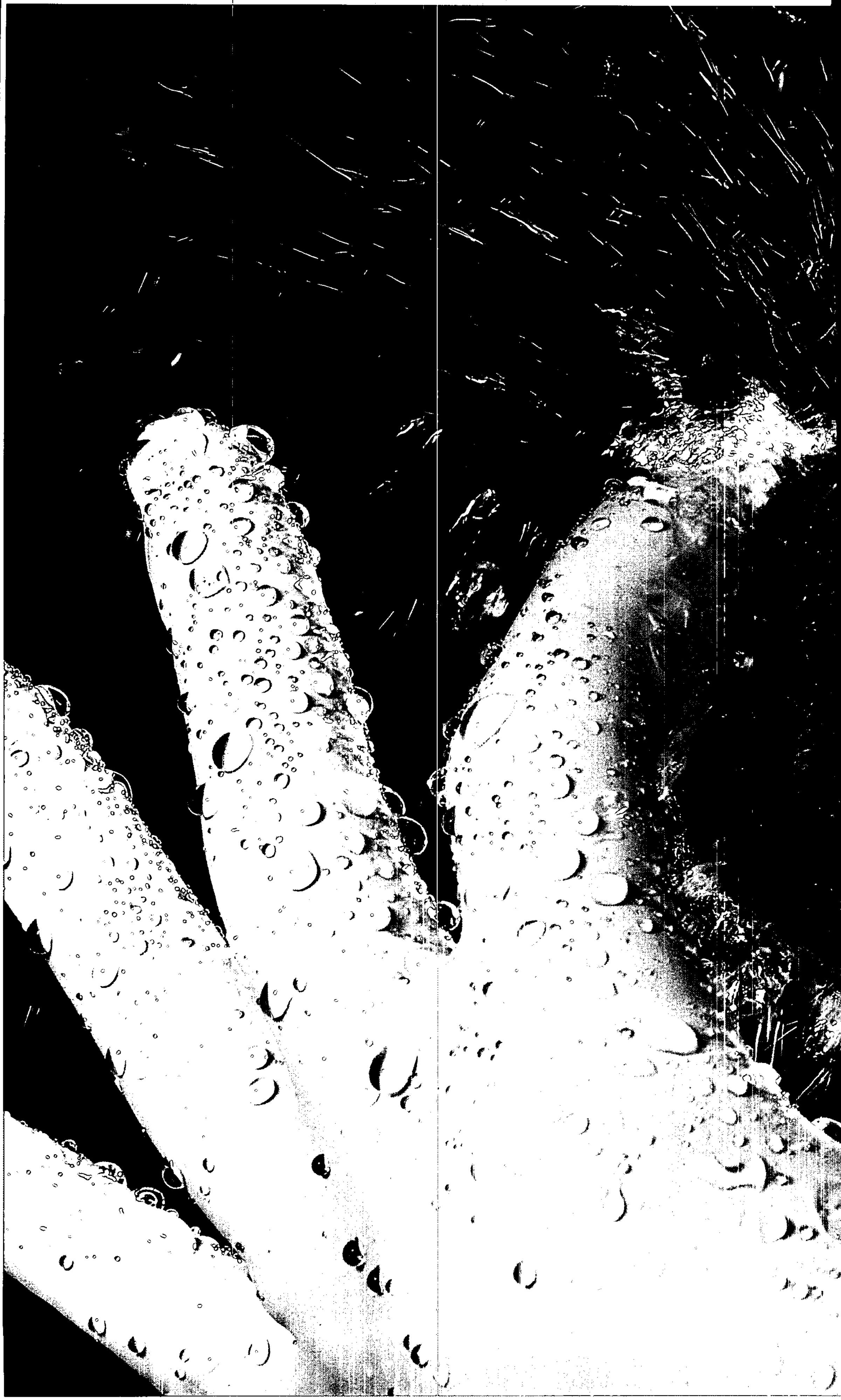

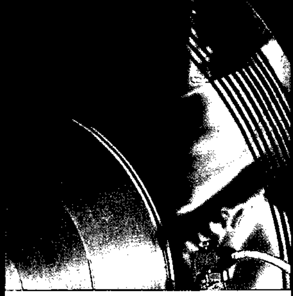

Manufacturing is the process through which innovative ideas become real.

Thin-film technology is at the heart of a new family of disk storage products offered by our Memorex subsidiary. Thin-film heads are manufactured in "wafer"-like clusters (left) much like microcircuit chips.

We also continue to search for new modes of manufacture. Sometimes that means working with other companies, as Memorex is doing in a joint venture with Control Data. Together, they produce thick-substrate rigid disks (being coated at Memorex facilities, above) which are used in the thin-film head disk drives that each company manufactures.

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The end-point of manufacturing is, strictly speaking, products

In 1982, we acquired Midwest Systems Group, a software house specializing in programs for educational administration.

We hired a medical doctor with extensive health-care information systems experience to be one of the chief strategists of our marketing to the health-care industry. We also appointed the former president of a prominent national bank to lead our financial marketing efforts.

We combined the activities of one of our operating groups with those of one of our subsidiaries, the better to concentrate the expertise and experience of both of those organizations in designing systems for the federal government.

Finally, in a reorganization that encompasses the entire Company, we consolidated all of our vertical-marketing operations—product planning, engineering, manufacturing, and software (and office automation and small business-computers as well)—under a single Industry Systems Group.

"Everyone in this building," a Burroughs marketing executive recently observed referring to world headquarters, "comes to work in the morning, in some way, to support the customers." His remark was accurate, and it applies not only to Company policies, but also to the attitude of every Burroughs man and woman. Each of us—ideally, at least—understands the end-point of what he or she does; each of us works with those consequences in mind.
(continued on page 12)

Not long ago in this industry, "product" was synonymous with "individual computer." But today's computer product is typically an integrated system. The computer as a discrete "box" remains an integral part...but its ultimate effectiveness depends on how well it is integrated into the system—and how precisely it meets the present and future needs of the user.

Products introduced in 1982 gave our users greater power and flexibility. The mid-range B 4900 (assembled and tested in Pasadena, California, at left) also ushered in a new era of product qualification for Burroughs. Before it was released, we put it through more rigorous testing than any system had ever undergone.

The B 20 (above) is an entry-level microcomputer that can be used as a stand-alone system, or in a network.

What we build must benefit our users

The Company has taken a number of initiatives intended to foster this sort of thinking and to provide the framework for effective support of the customer.

That support begins long before the sale, with our aggressive pursuit of quality as a Corporate conviction. Early in 1982, we established a Company-wide Quality organization, with a vice president at its head. Its mission: to advance the cause of quality across a broad front of activities, from engineering and manufacturing, to delivery dates, to product reliability, to the promotion of quality-consciousness in the work psychology of Burroughs people.

"Supporting the customers" is the unifying theme of much of what we do. Our domestic and international user associations have a combined membership of about 3,700. But the size of our customer base far exceeds that, since the total number of our installed systems, from largest mainframes to B 20s, comes to more than 40,000.

Earlier this year, in order to bring more direct-sales people into contact with customers more of the time, we carried out a large-scale functional and geographic reorganization of our domestic and international marketing groups. But even this is not enough, for our products, because of their decreasing size and increasing versatility, are now suitable for—and desired by—a far wider audience than was once the case. Through dealers, distributors,

(continued on page 14)

The end purpose of our product is a system whose components respond collectively to the needs of our customers, no matter where they may be. Our marketing and support operations are located in 112 countries, but serve users everywhere, including in the highly-competive European market.

In the United Kingdom, office automation products give our customers at Pilkington Group (left) rapid access to a wide range of information, particularly product patent data. Pilkington is the world's largest flat glass manufacturer.

A Burroughs system monitors the thousands of meals served every day by the catering division of Scandanavian Airlines (above).

Our success depends on how well we know our customers' business

and other third-party channels, we are reaching out to this new clientele, making the technology and support of a worldwide corporation available to the individual entrepreneur, manufacturer, and professional.

Once the sale has been consummated, we assemble what the customer has ordered, at one of our eight Distribution Centers, before it is shipped, thus assuring prompt delivery of a complete, fully operational system.

After installation, any problems are quickly attended to by one of our 31 Resource Control Centers in 22 countries (four more will be operational in 1983). What makes the RCCs so effective is not only their telephone hotline, which allows immediate response, but also their capability—unusual if not unique in the industry—for automatic monitoring. The system can actually test the severity of a problem which, if need be, can be brought to the attention of people at a higher level of skill or management.

In 1982, we refined the RCCs even further by equipping them to keep a constant log of conditions at the customer's installation. Burroughs technicians can then analyze the log and take whatever corrective actions may be required.

Our account has touched upon the diverse elements that make up the Corporation—research and technology, plants and products, marketing and (continued on page 16)

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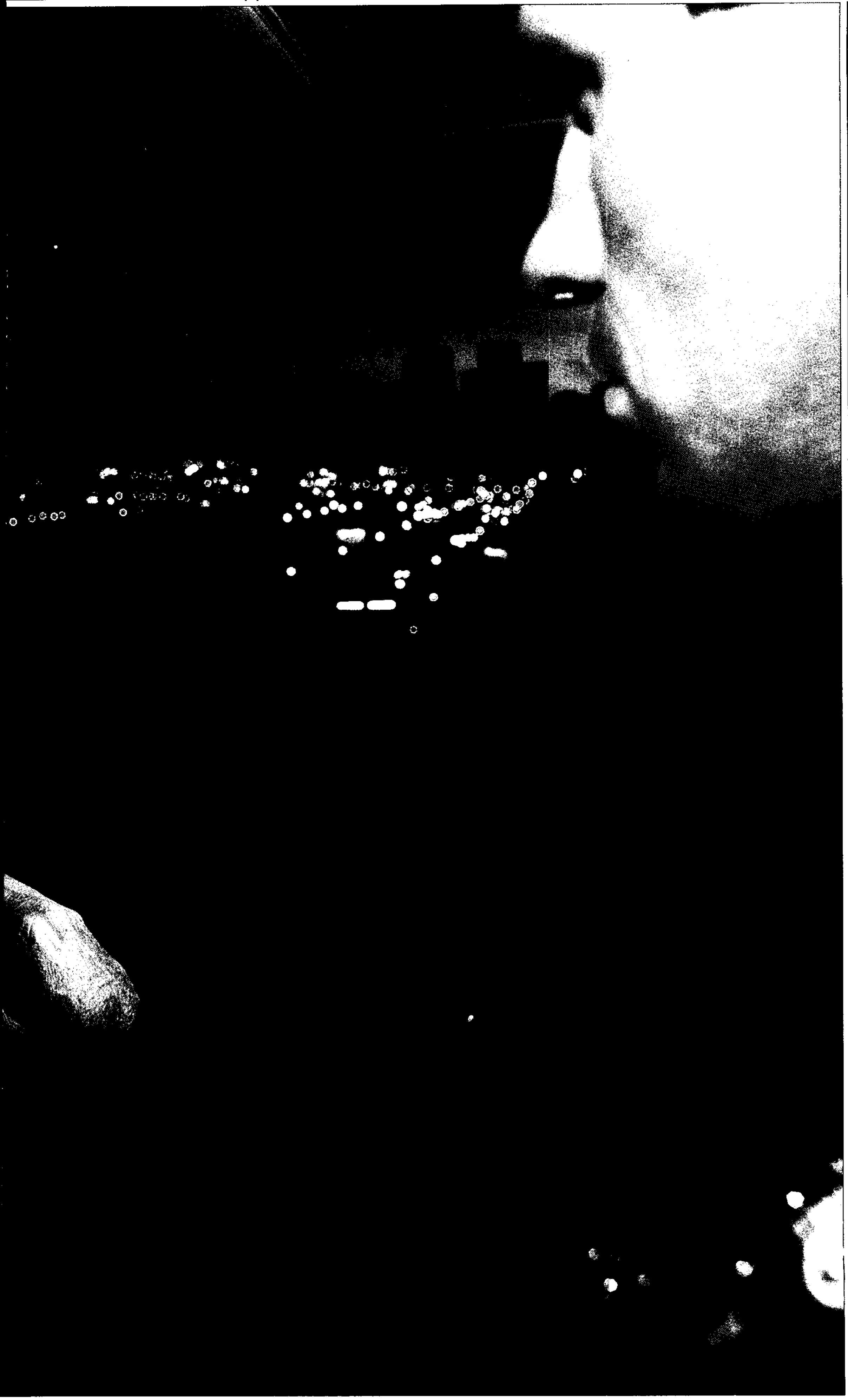
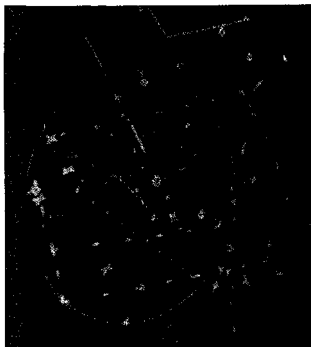




Our SDC subsidiary is an internationally-renowned expert in designing and configuring complex and distinctive solutions for businesses and governments. And their expertise is available to the entire Corporation.

When a Los Angeles police department officer needs help or information, a system designed and developed by SDC lends assistance. This one-of-a-kind emergency command control communications system dispatches police department forces under either routine or emergency conditions, via features such as this in-car terminal (left).

At 90 mid-sized airports throughout the United States another SDC system (above), operates in conjunction with an airport's radar to provide computer-processed information displays used by air traffic controllers.

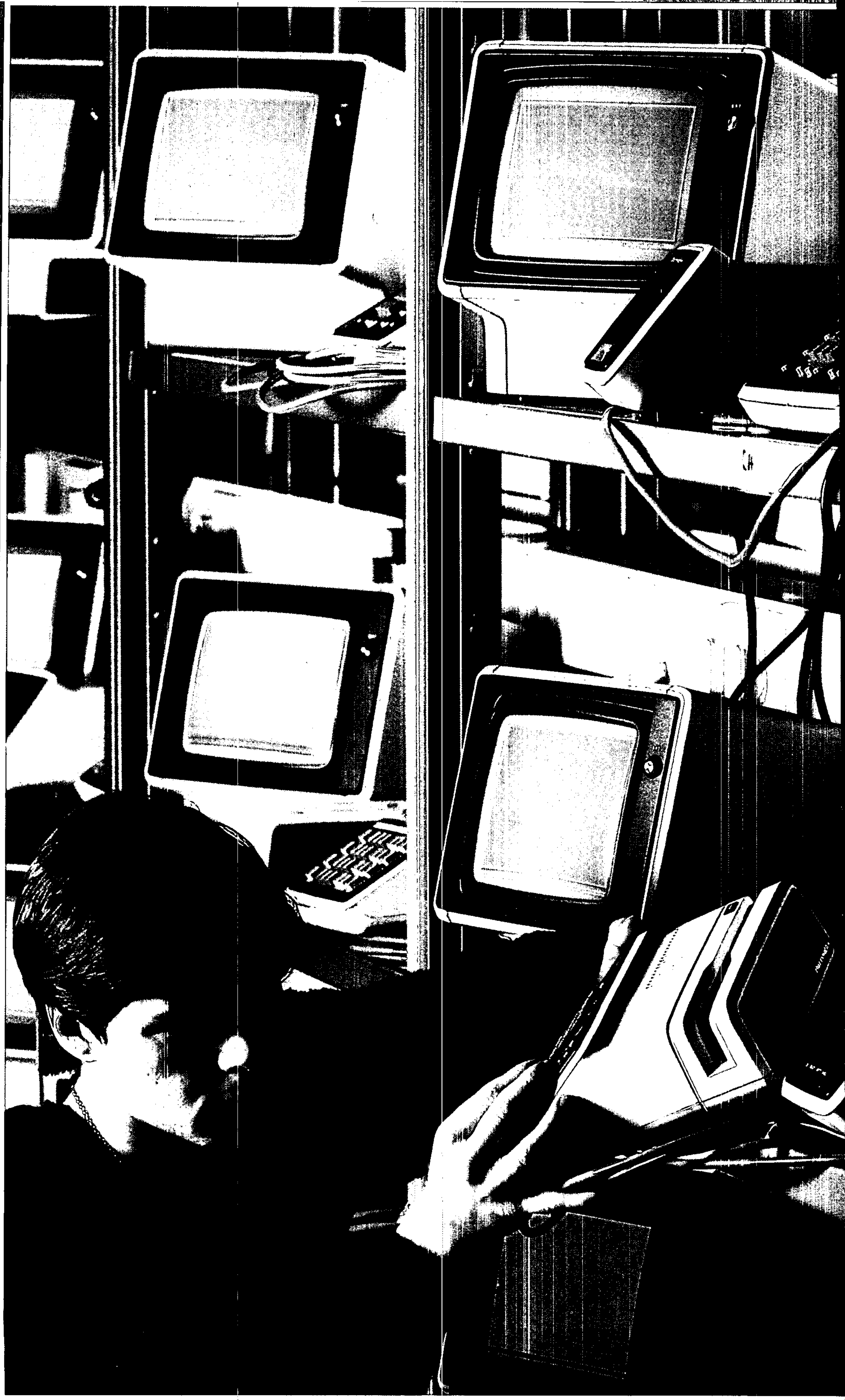
Supporting the customers is the unifying theme

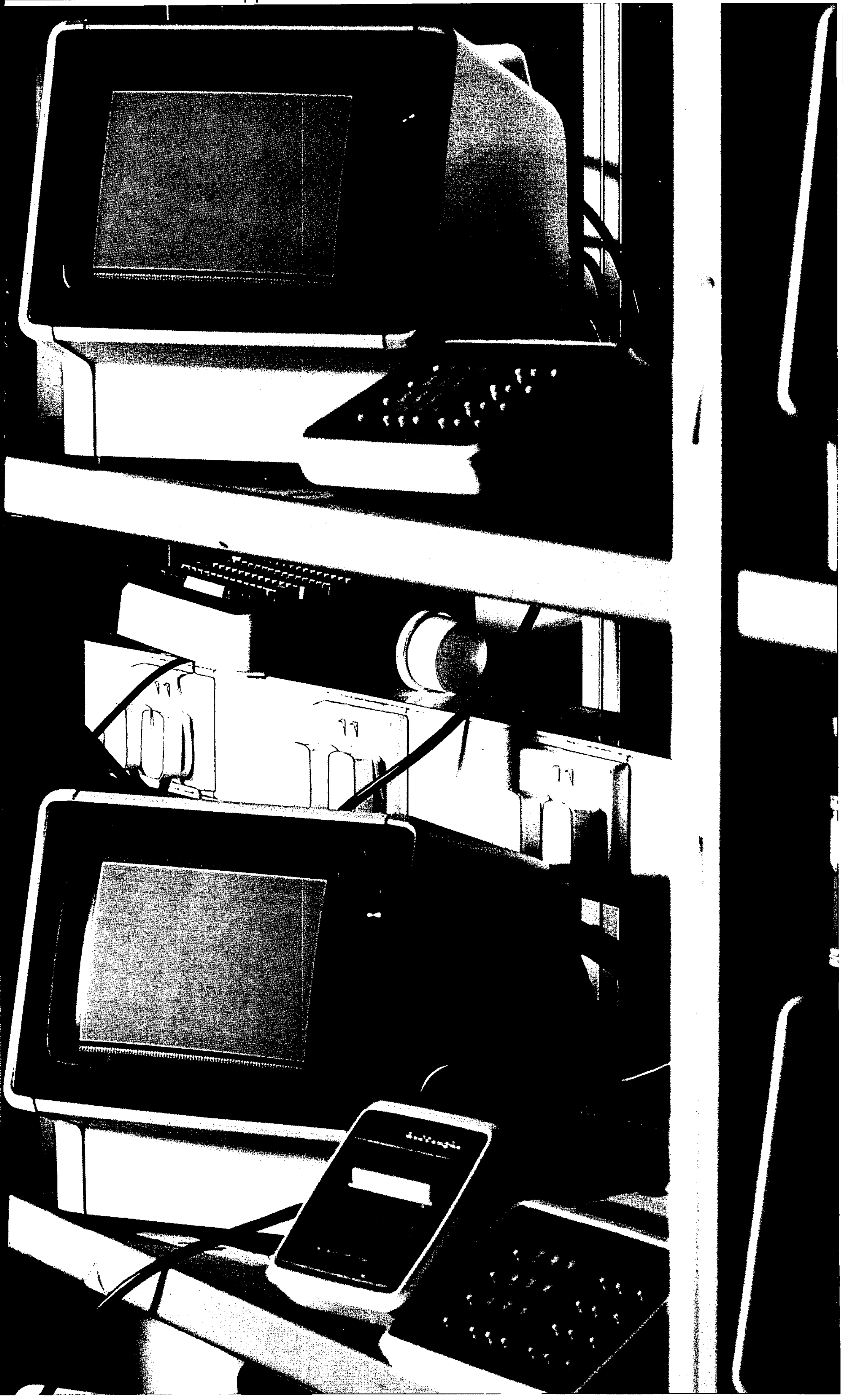
customer installations. But the indispensable ingredient—the spark that animates all of these—is our people. There are more than 62,000 of them, and in more than 100 countries, their individual contributions, in dozens of different disciplines, make us what we are. Our Company thus recognizes, among its most critical objectives, the need to keep and develop its skilled and dedicated people, even as it draws into itself a constant influx of fresh talent. As is pointed out in the message to shareholders (page 1), that is the key to retaining leadership in our rapidly changing industry.

Our final and perhaps most pressing priority, as the Age of Information continues to unfold, is to cultivate a keen sense of where we are headed. Peering into the future, we see fresh and exciting opportunities opening up to us. Computers will certainly continue to get smaller, faster, less expensive, and more versatile. As all of that happens, people will find even more uses for them—according to one estimate, 25,000 computer applications await discovery—and the demand for what we provide will continue to rise.

But the nature of that demand is changing, too, in two significant ways. First, people are coming to expect that their computers will be very easy to use and highly reliable as well. And, second, our industry is becoming more and more a service business: as hardware becomes increasingly homogeneous and the

(continued on page 18)





Getting the product "through the door" is only the first factor in a truly successful marketing equation. The next is service and support that is second to none. Our growing list of support programs is designed to make certain that the sum of that equation is a host of satisfied customers.

In the United Kingdom, a staging center in Milton Keynes (left), north of London, assembles and tests customer orders prior to delivery.

Meanwhile, to provide remote trouble-shooting, telephone hotlines for B 20 customers have opened in the United States (above). They are staffed by service engineers who can actually recreate customer problems on their own B 20s.

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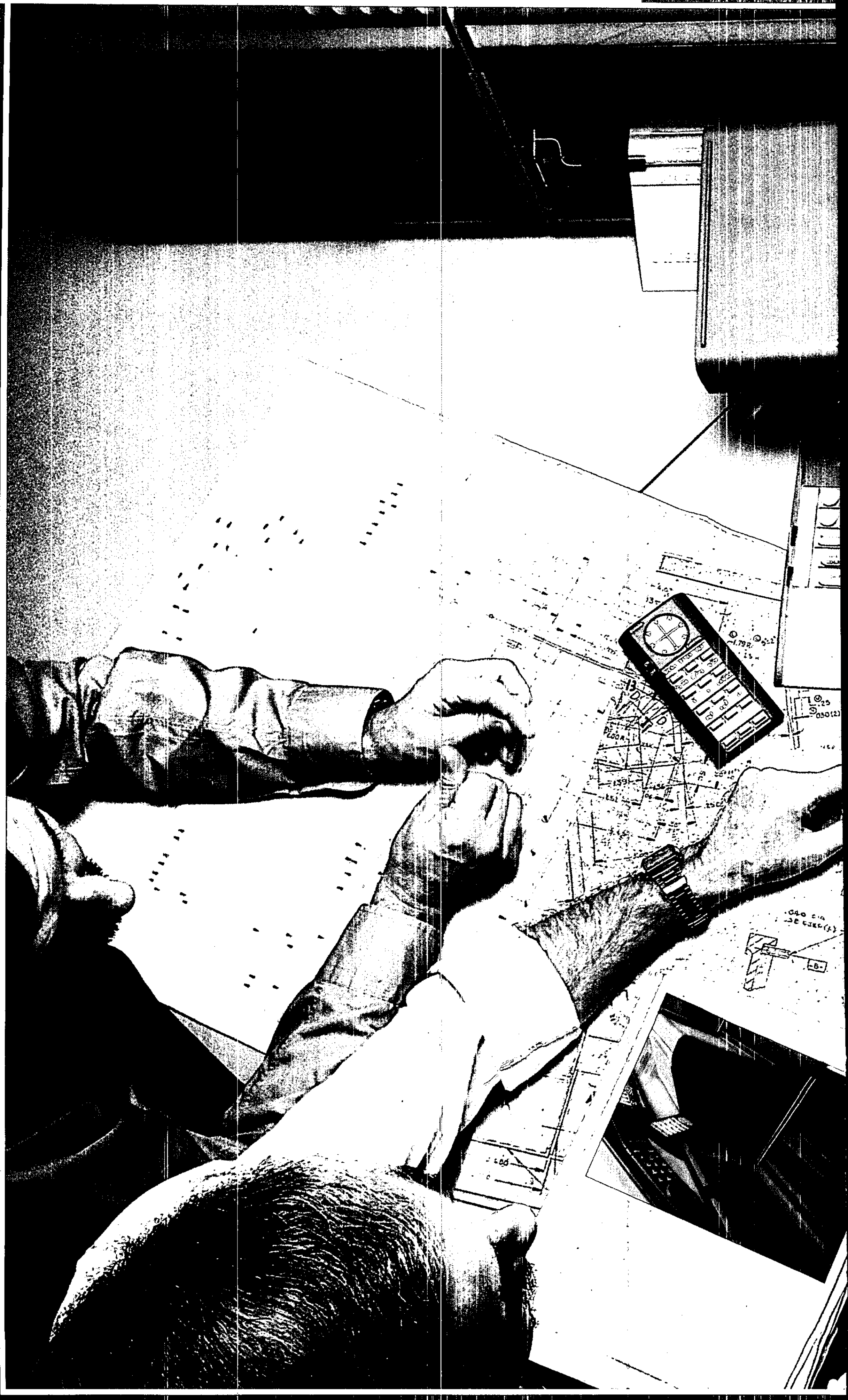
The spark that animates all of these is our people

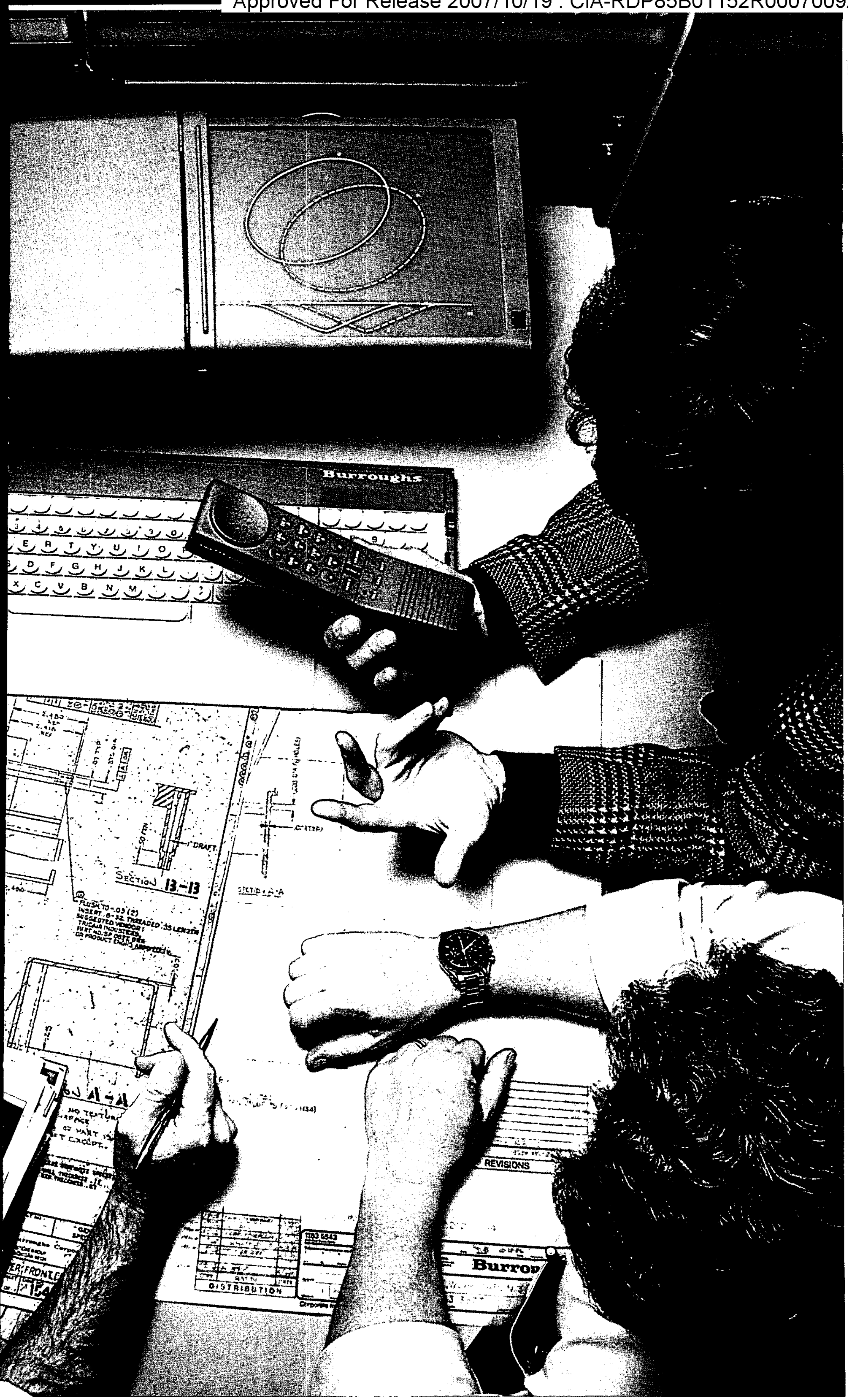
differences between one manufacturer's equipment and another's seem less significant, the importance of what we can do for the customers, as opposed to what we can sell them, will grow accordingly.

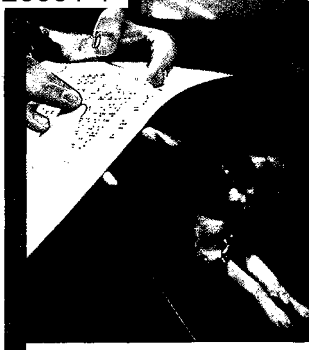
Burroughs has responded to these trends with several clear and direct thrusts. We have, as mentioned, laid new emphasis on quality. Equally important, we've invested heavily in first-rate training materials, so that a customer should easily be able to unpack, install, and even program a new B 20 with no assistance from us. We're breaking new ground in "user-friendly" software with a product called the Logic Information Network Compiler (LINC), an "applications generator" which, given a few basic parameters common to a great many businesses, will actually write a program suited to the needs of a particular enterprise. And we're planning far greater involvement in the so-called "soft services"—training, consultation, systems design—that our customers both require and expect.

In 1982, as in perhaps no other in our 97-year history, the driving momentum of change has made itself felt in virtually every area of our Company's operations. Still, that change is coherent in nature, governed by a strategic plan that assesses our technology and our markets, the competition and the economy, and offers

(continued on page 20)







Above all, we are dedicated to the notion that people hold the key to our success, now and in the future. Our industry requires a wide range of skills, and our training programs help hone the professionalism of our people. However, we also bring these specialized skills together into teams whose members can discuss, challenge, and make effective decisions.

In Plymouth, Michigan, industrial designers (left) find that four minds are better than one when considering plans and mock-ups for a future generation of office automation products.

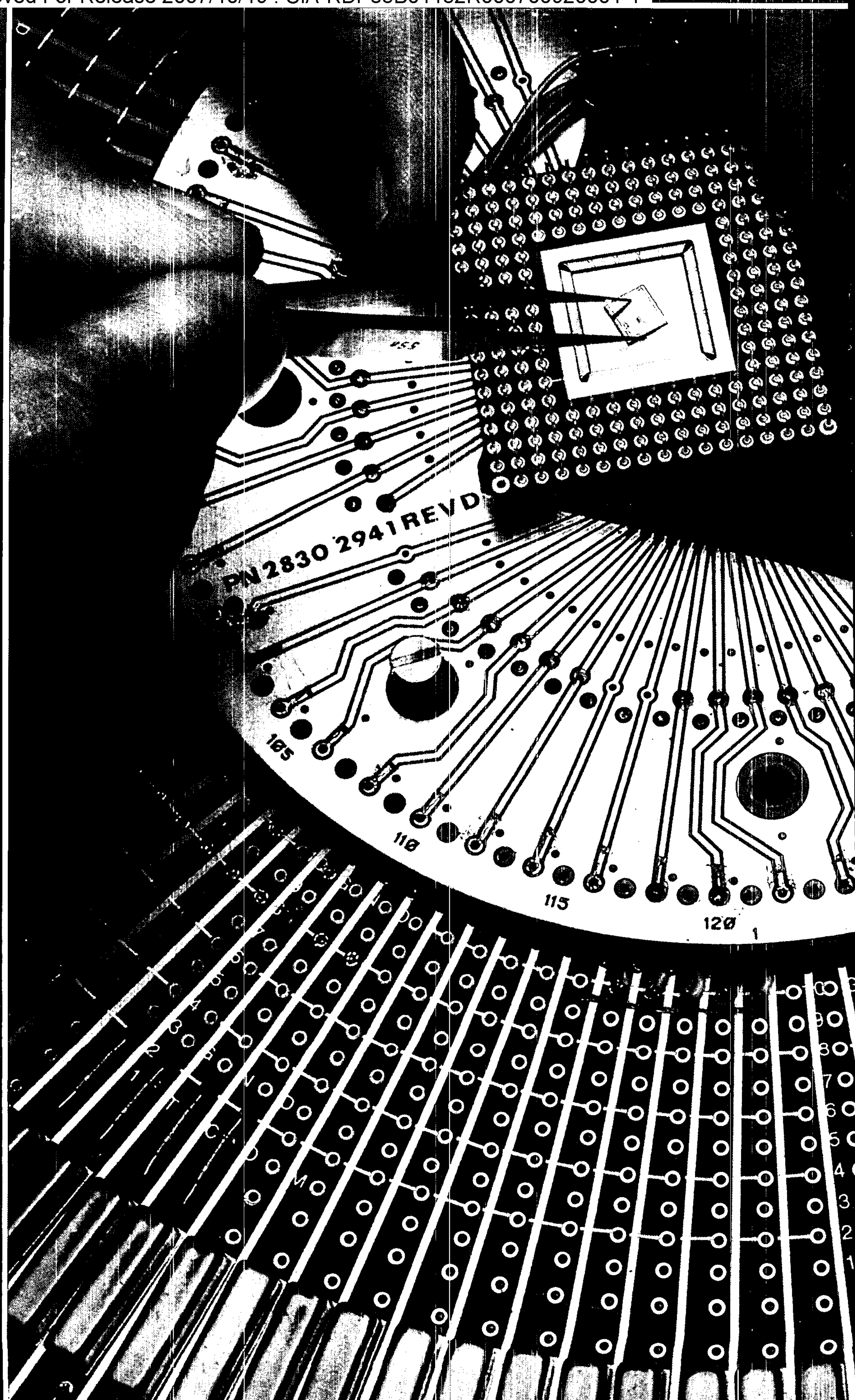
Pursuing the goal of developing people through training leads us beyond the confines of the Corporation and into the communities where our employees live. At our SDC subsidiary, a unique training program uses special equipment such as a Braille embossing terminal (the print-out from which is shown above), to train legally-blind people to be computer programmers.

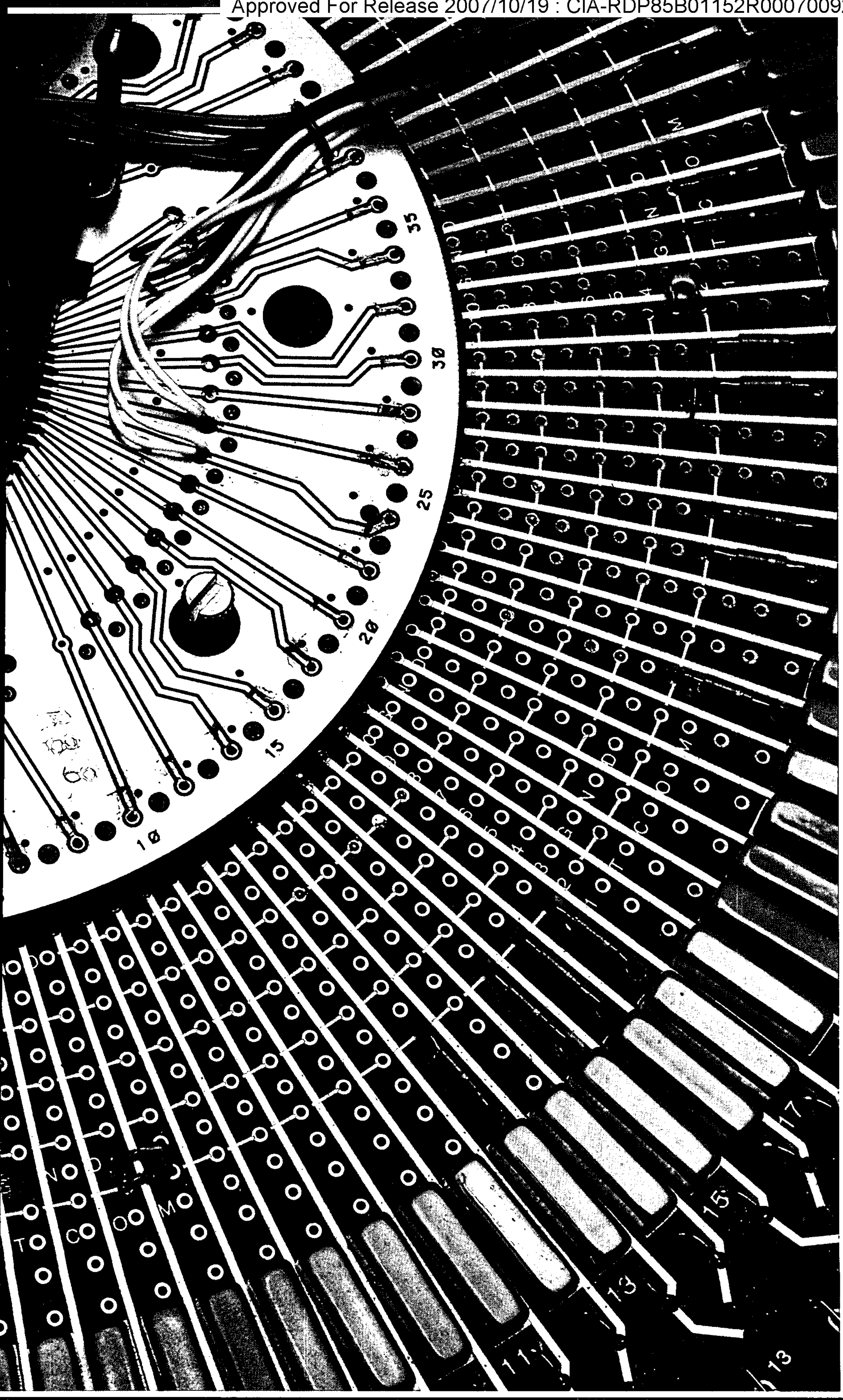
Peering into the future, we see fresh and exciting opportunities

our distinctive response to the challenges of today's information systems industry—and of tomorrow's.

As a leader, we blaze trails for others to follow. That is why we are pursuing (and, we believe, are uniquely capable of pursuing) a technological goal for the rest of the 1980s and beyond: "systems integration"—the linking together of data, word, voice, and image processing with advanced communications techniques, so as to unite factories, offices, and staff locations into vast information-managing enterprises. This is the likely outcome of our burgeoning information technology, and it is an ambitious but entirely plausible prediction that we will be among the first to get there.

But the critical question is not so much "when" but "how." The years ahead will see us working tirelessly at quality, innovation, and service, and fulfilling our Corporate mission with steady commitment and determination. And that mission is to design, build, market, and support the finest, most cost-effective line of information systems available anywhere in the world, and in so doing, to contribute to more efficient business operations, to higher productivity, and ultimately, to a better, more satisfying life for everyone touched by what we do.





The images of this Annual Report end, appropriately enough, where they began—with a look ahead. We can't expect to pinpoint all the challenges that the future will bring our industry any more than William Seward Burroughs could have guessed that the distant descendant of his adding machine—the computer—would be dubbed *Time* magazine's Man (Machine) of the Year in 1982.

But every alternate future presents its own possibilities. Advances in microcircuitry (left) will make our products more powerful. These products will become more accessible, as well, as they will touch the lives of millions of people unaware of their presence, even as, today, Burroughs technology assists the weekly drawing for the French national lottery (above).

This technology, plus the plans, programs, and people Burroughs has in place now, will assure that we'll be there to take advantage of tomorrow's opportunities.

Financial review

BURROUGHS CORPORATION AND SUBSIDIARY COMPANIES

financial condition and results of operations

Management during 1982 continued to make the decisions necessary to improve long-term operating results even though in some instances these had near-term adverse effects. Changes such as a major realignment of the Company's domestic marketing organization, while carrying a short-term cost, are expected to make significant contributions in the near and long-term future. Such actions were taken even though the economic climate remained depressed and the continuing strength of the U.S. dollar had an unfavorable impact on the results of operations. While external circumstances were the major factor in holding earnings below anticipated levels, programs implemented to improve asset utilization and further improve the Company's competitive position showed positive results.

Cash flow from operations continued to increase on a year-to-year basis with a resulting reduction in debt to previously targeted levels. The Company's acquisition of Memorex yielded a positive return in the first full year and market acceptance of new products was encouraging.

Significant events and accounting changes

As a result of studies completed recently, the Company made certain adjustments in the fourth quarter of 1982 which reduced net income for the year by $81.2 million, or $1.93 per share. The impact of these adjustments was partially offset by the Company's decision to treat as a component of inventory value hardware support engineering costs which were previously expensed as incurred. The new method of accounting for these costs results in a better matching of costs to related revenues. This accounting change was applied retroactive to the beginning of 1982 and increased income before the cumulative effect of the change by $6.5 million, or $.15 per share. In addition, net income for 1982 was increased by $26.4 million, or $.63 per share, for the cumulative effect on prior years of this accounting change.

Effective January 1, 1982, the Company adopted the new method of accounting for foreign currency translation prescribed by the Financial Accounting Standards Board. In view of the fact that these translation procedures precipitated changes in the Company's management of foreign currency exposure, financial results for prior periods were not restated. In addition, measurement of the effect of the accounting change on results of operations for 1982 is not practicable and any such measurement would not provide a meaningful result for comparison with the prior year. However, management estimates that the strengthening of the U.S. dollar during 1982 adversely impacted results of operations for the year when compared to 1981.

Details of the accounting changes and adjustments may be found in notes 2 and 3 of the Notes to consolidated financial statements on page 29.

...urces

Funds provided from operations represent the Company's primary source of financing, and programs to improve the Company's asset management and financial position showed significant favorable results during the past two years. Cash generated from operations was $970 million for 1982, representing an increase of 35% over 1981. Cash generated from operations in 1981 amounted to $719 million compared to $36 million in 1980. The dramatic increases in the 1982 and 1981 cash flow are the result of asset management programs which have focused on improvements in accounts receivable collections and the reduction of inventories. In 1982, the average accounts receivable collection period was reduced to 53 days from 56 days in 1981, and 95 days in 1980. During 1982, inventories were reduced by approximately $180 million, or 12% prior to the provisions for obsolete and slow moving inventories made in the 1982 fourth quarter and the accounting change for inventories. The asset management programs during 1982 and 1981 provided the necessary resources for capital investment programs, including the financing of acquisitions.

Capital investments increased $103 million, or 19%, to a level of $638 million in 1982, compared with 1981 and 1980 investment levels of $535 million and $419 million, respectively. After such investments, net cash generated from operations during 1982 amounted to $331 million, representing an 80% improvement over the 1981 performance. Net cash generated from operations in 1981 amounted to $184 million, compared to a net cash usage in 1980 operations of $383 million.

Additional investment activities included the acquisitions of Memorex Corporation and Systems Research Incorporated in late 1981. The purchase price of these companies represented an aggregate investment of $328 million, including debt assumed of $227 million. In early 1981, the acquisition of System Development Corporation was completed representing a total investment of $93 million.

The net positive cash generated from operations enabled the Company to reduce debt during 1982 by $233 million, resulting in a year-end debt balance of approximately $1 billion. In addition, the Company improved its financial position during 1982 by obtaining additional fixed rate financing. The Company issued $50 million of 15¾% Eurodollar notes maturing in 1988 and $75 million of 13½% notes maturing in 1991. These new borrowings funded reductions of short-term debt levels during 1982.

In 1981, the Company negotiated a $250 million revolving credit and term loan agreement which replaced existing short-term lines of credit of $150 million. The Company also converted International short-term debt of $28 million to long-term. In connection with the Memorex acquisition, the

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Company negotiated a $71 ... agreement and a $19 million term loan.

The Company continues to maintain open lines of credit totaling $235 million with 46 U.S. banks. In addition, $125 million of long-term debt may be issued in the U.S. for future financing requirements under the Company's current "shelf" registration statement. Although it is impossible to quantify, the Company has access to additional sources of liquidity on a long-term basis and has at its disposal approximately 18 million shares of authorized and unissued common stock.

Capital expenditure programs for properties planned in 1983 will require funding of approximately $240 million. It is anticipated that funds provided from operations will support such growth.

Results of operations

Worldwide revenue increased $781 million, or 23%, in 1982 and $503 million, or 17%, in 1981. Of the 1982 increase, $411 million resulted from U.S. operations compared to an increase of $402 million in 1981, while International operations contributed $370 million to the 1982 increase, compared to $101 million in 1981. The 1982 increase was due primarily to the inclusion of Memorex in the results. Revenue for 1982 and 1981 was adversely affected by economic conditions in both the United States and International markets, as well as the strengthening of the U.S. dollar against major foreign currencies which continued throughout each year.

Net sales revenue increased $535 million, or 27%, in 1982 compared with an increase of $337 million, or 21%, in 1981. The 1982 increase was primarily due to the inclusion of Memorex. The 1981 increase in sales revenue resulted from the acquisition of System Development Corporation, as well as increased shipments of data processing equipment.

Revenue from rentals increased $49 million in 1982, compared to an increase of $30 million in 1981. The change in rental revenue in 1982 reflects the impact of the inclusion of Memorex operations. The modest 1981 increase reflected the impact of increased placements of rental systems, partially offset by decreased rental rates on newer systems.

Equipment service revenue improved during 1982, resulting in an increase of $192 million, or 23%, as compared to the 1981 increase of $95 million, or 13%. The 1982 increase reflects the inclusion of Memorex operations and the continued growth resulting from an increased number of systems installed and the impact of selected higher pricing.

The growth in all revenue classifications during 1982 and 1981 was adversely impacted by exchange rate changes.

Interest and other income increased by $4 million in 1982 and $42 million in 1981. These increases primarily resulted from interest applicable to installment sales, gains on the sales of certain properties, and in 1982 gains resulting from the exchange of common stock for debentures. In addition, interest and other income for 1981 includes Memorex earnings for the month of December on an equity basis.

The cost of products sold increased to 66% of net sales in 1982 from 62% in 1981 and 59% in 1980. The cost of rentals totaled 66% of rental revenue in 1982 as compared to 57% in 1981 and 63% in 1980. Cost of equipment service amounted to 63%, 51% and 56%, respectively. The upward trend of the cost ratios in 1982 reflects the significant inventory provisioning in ... financial statements on page 29.) Additionally, fluctuations in these cost ratios during 1982 were due to the impact of exchange rate changes, the inclusion of Memorex operations and the impact of the market on current pricing policies. The 1981 cost of products sold ratio increased as a result of the inclusion of System Development Corporation, while all 1981 ratios were adversely impacted by exchange rate changes. The 1980 ratios also reflect the pre-tax effect of certain special fourth quarter charges. (See note 4 of Notes to consolidated financial statements on page 30.)

Selling, general and administrative expenses continued to grow at a slower rate than previous years, reflecting management's continuing programs directed at controlling overall costs and manpower related expenditures. In addition, the 1982 expenses included special 1982 fourth quarter charges associated with the relocation, rearrangement and reorganization of manufacturing and engineering operations and the realignment of the Company's domestic marketing organization. The 1981 results include a number of selective investments in the area of customer service and support deemed by management to provide a basis for future growth. Selling, general and administrative expenses represented 25% of total revenue, compared to 26% and 29% in 1981 and 1980, respectively.

Research and development expenditures increased $44 million in 1982 and $20 million in 1981. These expenditures as a percentage of total revenue represent 5.3%, 5.2% and 5.4% for 1982, 1981 and 1980, respectively.

Interest expense increased during 1982 by $27 million, as compared to an increase of $64 million in 1981. The 1982 increase reflects a higher average borrowing level due principally to the Memorex acquisition and a higher overall effective interest rate on International borrowings, partially offset by lower interest rates in the United States.

The consolidated effective tax rate on income before the cumulative effect of accounting change for inventories was a tax benefit of 21% for 1982 compared with a tax cost of 41% for 1981 and 39% for 1980. The tax benefit for 1982 compared to the tax cost in 1981 and 1980 results primarily from the disproportionate impact of investment and other tax credits on the lower pre-tax profit, the reversal of deferred income taxes on the undistributed earnings of the Company's domestic international sales corporation, the impact of the allocation of the purchase price of Memorex to its net assets, and changes in the composition of worldwide income.

Inherent in all comparisons of financial data is the impact which inflation has on the relationship of reported results of operations. Certain measurements of the effects of inflation on the Company's operations are provided in the Supplemental financial data on Financial reporting and changing prices on page 38 of this report.

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Reports of management and independent accountants

Consolidated statement of income

BURROUGHS CORPORATION AND SUBSIDIARY COMPANIES

The management of the Corporation is responsible for the integrity of its financial statements. These statements have been prepared in conformity with generally accepted accounting principles and include amounts based on the best estimates and judgments of management. Financial information included elsewhere in this report is consistent with that in the financial statements.

The Corporation maintains a system of internal accounting controls designed to provide reasonable assurance at a reasonable cost that assets are safeguarded against loss or unauthorized use, and that transactions are executed in accordance with management's authorization and recorded and summarized properly. This system is augmented by written policies and procedures, an internal audit program, and the selection and training of qualified personnel.

Price Waterhouse, independent accountants, have examined the Corporation's financial statements. Their accompanying report is based on examinations conducted in accordance with generally accepted auditing standards, which require a review of the system of internal accounting controls and tests of accounting procedures and records.

The Board of Directors, through its Audit Committee, which is composed entirely of outside directors, oversees management's responsibilities in the preparation of the financial statements and selects the independent accountants, subject to shareholder ratification. The Audit Committee meets regularly with the independent accountants, representatives of management, and the internal auditors to review the activities of each and to assure that each is properly discharging its responsibilities. To ensure complete independence, the internal auditors and representatives of Price Waterhouse have full access to meet with the Audit Committee, with or without management representatives present, to discuss the results of their examinations and their opinions on the adequacy of internal controls and the quality of financial reporting.

WM Blumenthal

W. Michael Blumenthal,
chairman of the board and chief executive officer

J. Unruh

James A. Unruh,
vice president, Finance

Price Waterhouse

To the Board of Directors and shareholders of Burroughs Corporation

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income and of changes in financial position present fairly the financial position of Burroughs Corporation and subsidiary companies at December 31, 1982 and 1981, and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1982, in conformity with generally accepted accounting principles consistently applied during the period, except for the changes made during 1982, with which we concur, in the methods of translating foreign currency financial statements and accounting for inventories, as described in note 2 to the consolidated financial statements. Our examinations of these statements were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse

Detroit, Michigan,
February 4, 1983.

Consolidated statement of income

(thousands, except per share data)	**1982**	1981	1980
Revenue			
Net sales	**$2,485,679**	$1,950,282	$1,613,668
Rentals	**576,132**	527,159	497,336
Equipment service	**1,033,480**	841,050	746,182
Interest and other income	**90,960**	86,937	45,170
Total	**4,186,251**	3,405,428	2,902,356
Costs and expenses			
Cost of products sold	**1,644,130**	1,207,873	948,131
Cost of rentals	**379,515**	302,488	312,504
Cost of equipment service	**646,045**	429,437	419,451
Selling, general and administrative expenses	**1,048,780**	889,677	849,518
Research and development expenses	**220,560**	176,749	157,007
Interest expense	**172,093**	145,078	81,373
Total	**4,111,123**	3,151,302	2,767,984
Earnings before income taxes	**75,128**	254,126	134,372
Estimated income taxes (credit)	**(16,100)**	105,200	52,400
Income before cumulative effect of accounting change for inventories	**91,228**	148,926	81,972
Cumulative effect for years prior to 1982 of accounting change for inventories	**26,400**		
Net income	**$ 117,628**	$ 148,926	$ 81,972
Earnings per share			
Before cumulative effect of accounting change for inventories	**$2.17**	$3.58	$1.99
Cumulative effect for years prior to 1982 of accounting change for inventories	**.63**		
Net income per share	**$2.80**	$3.58	$1.99
Pro forma—With 1982 accounting change for inventories applied retroactively			
Net income	**$ 91,228**	$ 152,119	$ 84,359
Net income per share	**$2.17**	$3.65	$2.04
Cash dividends declared per share	**$2.60**	$2.60	$2.60
Average number of shares outstanding	**42,048**	41,641	41,287

The Notes to consolidated financial statements on pages 29 through 37 are an integral part of this statement.

Note—Net income for 1982 and 1980 was reduced by adjustments made in the fourth quarter amounting to \$81.2 million (or \$1.93 per share) and \$125.1 million (or \$3.03 per share), respectively, as discussed in notes 3 and 4 of the Notes to consolidated financial statements.

Consolidated balance sheet

BURROUGHS CORPORATION AND SUBSIDIARY COMPANIES

Consolidated balance sheet

Assets (thousands)	December 31 1982	1981
Current assets		
Cash	**$ 23,187**	$ 9,065
Short-term investments	**31,753**	46,028
Accounts and notes receivable, net	**1,033,940**	1,052,433
Inventories		
Finished equipment, supplies and accessories	**738,546**	951,996
Work in process, raw materials and factory supplies	**444,316**	536,612
Prepaid taxes and other	**110,294**	119,878
Total	**2,382,036**	2,716,012
Long-term receivables, net	**348,904**	389,215
Rental equipment	**1,189,385**	1,086,188
Less—accumulated depreciation	**739,959**	663,588
Rental equipment, net	**449,426**	422,600
Properties		
Land	**41,270**	41,912
Buildings	**329,702**	294,238
Machinery and equipment	**686,476**	602,989
Tools and test equipment	**321,285**	279,977
Unamortized leasehold improvements	**29,855**	26,797
Construction in progress	**72,810**	57,444
Total	**1,481,398**	1,303,357
Less—accumulated depreciation	**662,517**	506,808
Properties, net	**818,881**	796,549
Other assets	**123,876**	115,024
Total	**$4,123,123**	$4,439,400

The Notes to consolidated financial statements on pages 29 through 37 are an integral part of this statement.

Liabilities and shareholders' equity (thousands)	1982	1981
Current liabilities		
Notes payable within one year	**$ 150,651**	$ 397,442
Current maturities of long-term debt	**18,579**	31,343
Accounts payable	**423,643**	397,104
Accrued payrolls and commissions	**177,529**	163,752
Accrued taxes other than income taxes	**57,476**	69,408
Customers' deposits and prepayments	**179,174**	154,893
Dividend payable to shareholders	**27,428**	27,681
Estimated income taxes	**96,564**	110,531
Total	**1,131,044**	1,352,154
Deferred income taxes	**120,854**	102,829
Long-term debt	**830,576**	804,341
Shareholders' equity		
Common stock—$5 par value		
Authorized—60,000,000 shares		
Issued—42,371,000 and 42,063,000 shares, respectively	**211,855**	210,317
Paid-in capital	**456,581**	448,144
Retained earnings	**1,530,163**	1,522,030
Treasury stock—175,000 and 41,000 shares, respectively, at cost	**(5,983)**	(415)
Total	**2,192,616**	2,180,076
Foreign currency translation adjustments	**(151,967)**	
Shareholders' equity, net	**2,040,649**	2,180,076
Total	**$4,123,123**	$4,439,400

Consolidated statement of changes in financial position

Notes to consolidated financial statements

BURROUGHS CORPORATION AND SUBSIDIARY COMPANIES

(thousands)	1982	1981	1980
Cash provided by (used for) operations			
Net income	**$ 117,628**	$ 148,926	$ 81,972
Add (deduct) items not affecting funds—			
Cumulative effect of accounting change for inventories	**(26,400)**		
Depreciation and amortization	**379,858**	303,527	247,704
Decreases (increases) in long-term receivables	**40,311**	(36,364)	(26,195)
Net book value of sales and disposals of rental equipment and properties	**128,884**	90,227	56,418
Current items*	**388,253**	189,773	(314,893)
Translation adjustments	**(78,396)**		
Other	**19,518**	23,113	(9,031)
Cash provided by operations	**969,656**	719,202	35,975
Capital additions—rental equipment	**(412,702)**	(289,378)	(236,225)
—properties	**(225,509)**	(245,746)	(182,840)
Net cash provided by (used for) operations	**331,445**	184,078	(383,090)
Cash provided by (used for) financing and investment activities			
Increases in long-term debt	**159,910**	474,998	290,297
Decreases in long-term debt	**(133,675)**	(43,112)	(108,309)
Increases (decreases) in notes and current maturities payable	**(259,555)**	(191,673)	330,198
Purchase of companies, net of funds provided		(328,490)	(93,333)
Treasury stock purchases	**(25,323)**	(13,623)	
Common stock issued—under stock option and purchase plans	**16,526**	14,329	15,044
—in exchange of debt	**13,204**		
—for acquisitions		13,958	
Dividends declared to shareholders	**(109,495)**	(108,540)	(107,501)
Other	**6,810**	(5,315)	49,620
Net cash provided by (used for) financing and investment activities	**(331,598)**	(187,468)	376,016
Decrease in cash and short-term investments	**$ (153)**	$ (3,390)	$ (7,074)
***Analysis of current items**			
Accounts and notes receivable	**$ 18,493**	$ 47,463	$ 2,715
Inventories	**305,746**	66,383	(298,291)
Prepaid taxes and other	**9,584**	(13,644)	(49,680)
Accounts payable and accrued liabilities	**44,116**	27,133	104,910
Customers' deposits and prepayments	**24,281**	(792)	(747)
Estimated income taxes	**(13,967)**	63,230	(73,800)
Total	**$ 388,253**	$ 189,773	$(314,893)

Year ended December 31

The Notes to consolidated financial statements on pages 29 through 37 are an integral part of this statement.

Summary of significant accounting policies

1 **A. Principles of consolidation.** The consolidated financial statements include the accounts of Burroughs Corporation and all of its domestic and foreign subsidiaries, except for a finance subsidiary. Separate financial statements of the finance subsidiary and various joint ventures, which are accounted for on the equity method, are not presented since assets, liabilities and results of operations are not significant. The operations of subsidiary companies doing business outside the United States generally cover the 12 months ended November 30.

B. Inventories. Inventories are valued at the lower of cost or market. Cost is determined principally on the first-in, first-out method. Market represents estimated net realizable value.

C. Rental equipment, properties and depreciation. Rental equipment and properties are carried at cost and are depreciated over the estimated lives of such assets using the straight-line method, except for tools and test equipment which are depreciated by the declining-balance method. Leasehold improvements on rented properties are amortized over the shorter of the asset lives or the term of the respective leases. The principal depreciation rates used are summarized below by classification of properties:

	Rate per annum (%)
Rental equipment	25
Buildings	2–5
Machinery and equipment	5–25
Tools and test equipment	10–33⅓

D. Revenue recognition. Revenue from sales, including installment sales, is generally recorded when the product is shipped. Revenue from service agreements and most rental agreements is recorded as earned over the lives of the contracts. Noncancelable full payout lease contracts are accounted for as sales-type leases.

E. Income taxes. Income taxes are provided on taxable income at the statutory rates applicable to such income. In addition, U.S. and foreign taxes are provided for taxable dividends to be received out of each year's earnings of subsidiaries outside the United States. No additional taxes have been provided for cumulative undistributed earnings of these subsidiaries and the Company's domestic international sales corporation (DISC) subsidiaries since such amounts are considered by management to be permanently reinvested.

Investment tax credit is accounted for by the flow-through method which reduces the provision for estimated income taxes in the year in which the related assets are placed in service.

F. Net income per share. Net income per share is based on the average number of shares of common stock outstanding during the year. The common stock reserved under employee stock options granted and outstanding during each year, and the convertible debentures outstanding during each year, are considered to be common stock equivalents. These securities, however, have not been included in the computation of net income per share because the aggregate potential dilution resulting therefrom is less than three percent in each year.

2 **A. Foreign currency translation.** Effective January 1, 1982, the Company adopted the provisions of Statement of Financial Accounting Standard No. 52, "Foreign Currency Translation." Under this Statement, assets and liabilities of most of the Company's International subsidiaries have been translated at current exchange rates, and related revenue and expenses have been translated at average exchange rates. During the year, translation adjustments and gains or losses associated with certain foreign currency transactions have been included in a separate component of shareholders' equity. Translation gains and losses relating to foreign operations which operate in highly inflationary economies have been included in income in 1982, as in prior years.

As permitted under the Statement, the financial statements of prior periods have not been restated. The reduction in net assets resulting from this change of $54.9 million at January 1, 1982 has been included in a separate component of shareholders' equity. The effect of this accounting change on results of operations for the year ended December 31, 1982 is not practicably measurable due to changes in the Company's management of its exposure to foreign currency fluctuations.

B. Inventories. Effective January 1, 1982, expenditures for hardware engineering support associated with current production are included in the determination of manufacturing overhead costs. These costs were previously charged to expense as incurred. This change results in a better matching of costs to related revenue, as these costs will now be charged to product cost as the related equipment is sold. The effect of this change for the current year was to increase earnings before income taxes by $11.7 million, and income before the cumulative effect of the accounting change by $6.5 million, or $.15 per share. Net income for 1982 has been increased by the cumulative effect of this change for years prior to 1982 of $26.4 million (after a reduction for income taxes of $21.1 million), or $.63 per share. The pro forma amounts shown on the Consolidated statement of income have been estimated assuming the retroactive application of this newly adopted accounting principle.

Significant 1982 fourth quarter events

3 As a result of studies completed recently, the Company has taken several actions and recorded certain adjustments which reduced 1982 annual and fourth quarter net income by $81.2 million, or $1.93 per share.

A. In late 1982, the Company conducted extensive studies to evaluate its finished equipment and work in process inventories. As a result of the information developed from these studies, together with the introduction of new products and prevailing economic conditions, provisions of $154.4 million for obsolete and slow moving inventory have been made in the fourth quarter which reduced 1982 net income by $84.1 million, or $2.00 per share.

B. Prior to the fourth quarter of 1982, the Company provided for income taxes on the portion of undistributed earnings of a domestic international sales corporation (DISC) that was anticipated to be remitted in the future. As a result of continuing experience with this export subsidiary, it was determined that all undistributed DISC earnings will be permanently reinvested. Accordingly, such earnings will not be available for taxable distribution to the Company. The Company believes that the recognition of DISC earnings, without provision for deferred taxes, more accurately reflects the operations of its exporting activities. As a result, deferred income taxes previously recorded on the DISC have been reversed, increasing 1982 net income by $17 million, or $.40 per share.

C. In December 1982, the Company recorded expenses associated with the relocation, rearrangement and reorganization of certain manufacturing and engineering operations and the realignment of the Company's United States marketing organization. The estimated costs associated with these actions aggregated $8.7 million resulting in a reduction of net income by $4.7 million, or $.11 per share.

D. In December 1982, the Mexican government issued a decree which established an official exchange rate for commercial transactions. This decree invalidated the dollar denominated contracts of the Company's Mexican subsidiary. As a result, the Company recorded a charge reducing net income by $4.6 million, or $.11 per share.

E. Year-end and other accounting adjustments, which individually are not significant, aggregated $10.7 million reducing net income by $4.8 million, or $.11 per share.

See Quarterly financial information on page 39 for effect on fourth quarter of reduction in the annual effective tax rate.

Significant 1980 fourth quarter events

4 As a result of studies completed in December 1980, the Company recorded certain costs and adjustments which reduced 1980 annual and fourth quarter net income by $125.1 million, or $3.03 per share. These costs and adjustments represented (a) provisions of $44.7 million for discontinuance of certain products, manufacturing facilities and overseas marketing operations which reduced net income by $27.1 million, or $.66 per share; (b) the adoption of a program, at a cost of $15.5 million, to allow employees to elect early retirement which reduced net income by $8.4 million, or $.20 per share; (c) provisions of $121.3 million for uncollectible accounts receivable and slow-moving and excess inventories which reduced net income by $69.1 million, or $1.67 per share; (d) a provision of $8.9 million for the adoption of Statement of Financial Accounting Standards No. 43, "Accounting for Compensated Absences," which reduced net income by $5.2 million, or $.13 per share; and other year-end adjustments of $25.2 million, which individually were not significant, but in the aggregate reduced net income by $15.3 million, or $.37 per share.

Reclassifications

5 Effective with year-end 1982 reporting, the Company has discontinued reclassifying a portion of finished equipment and work in process inventories to rental equipment. In addition, certain equipment used for internal purposes has been reclassified from rental equipment to machinery and equipment. The financial statements for 1981 and 1980 have been restated to conform to the 1982 presentation.

During 1982, the Company completed the allocation of the purchase price for Memorex Corporation to its underlying net assets. Accordingly, the 1981 balance sheet reflects the reclassification of the non-current assets of Memorex previously included in other assets.

Additionally, support engineering costs for 1981 and prior years have been reclassified to product costs in order to conform to the current year presentation.

6 Effective December 3, 1981, Memorex Corporation (Memorex) was merged into a wholly-owned subsidiary of the Company pursuant to a Plan and Agreement of Reorganization as of October 30, 1981. The total consideration paid by the Company of $117 million for the outstanding equity of Memorex consisted of $103.1 million in cash and 475,583 shares of Burroughs common stock valued at $13.9 million.

The acquisition was accounted for as a purchase. The underlying net assets of Memorex as reported in its financial statements exceeded the cost of the Company's investment. The difference has been allocated to Memorex assets acquired and liabilities assumed, principally rental equipment and properties. The allocation of the difference results in lower future costs, principally depreciation and amortization of Memorex assets.

The earnings before income taxes of Memorex from the date of the merger, which were not significant, have been included in the 1981 Consolidated statement of income with interest and other income. The related income taxes have been included in estimated income taxes (credit).

Assuming the acquisition had occurred January 1, 1981, pro forma combined results of operations, including the estimated effects of purchase accounting, of Burroughs and Memorex for the year ended December 31, 1981, are as follows: revenue of $4.1 billion, net income of $141 million, and net income per share of $3.34. The pro forma financial information is not necessarily indicative of results of operations that would have occurred had the acquisition been effective for all of 1981.

In November 1981, the Company acquired Systems Research Incorporated (SRI) for $9.6 million in cash. In December 1980, the Company purchased a majority of the outstanding voting securities of System Development Corporation (SDC) for $59 million. During early 1981, the remaining outstanding voting securities of SDC were purchased for $34 million. During 1981, the purchase price of SDC of $93 million, which was included in other assets at December 31, 1980, was allocated to the acquired assets and liabilities based on an independent appraisal. The results of operations of SRI and SDC are not material in relation to the accompanying consolidated financial statements and have been included therein since date of acquisition.

The increase in net assets in 1981 resulting from the purchase of companies, exclusive of debt assumed of $227.3 million, is summarized as follows:

(thousands)	
Accounts and notes receivable	$193,259
Inventories	
Finished equipment, supplies and accessories	81,800
Work in process, raw materials and factory supplies	100,858
Prepaid taxes and other	9,400
Accounts payable and accrued liabilities	(176,781)
Estimated income taxes	(28,501)
Long-term receivables	3,471
Rental equipment	33,405
Properties	80,957
Other assets	30,622
Total	$328,490
Cash and short-term investments	$ 25,420

Amounts payable to shareholders of purchased companies of $15,985,000 at December 31, 1981 have been included in accounts payable.

Current and long-term receivables

7 Current and long-term receivable balances comprise the following:

	December 31 1982	December 31 1981
(thousands)		
Accounts receivable	**$ 846,815**	$ 932,675
Installment accounts	**513,127**	576,485
Sales-type leases	**124,953**	93,870
Recoverable income taxes	**80,000**	
Total	**1,564,895**	1,603,030
Less—Allowance for doubtful accounts	**76,387**	57,590
—Unearned income	**105,664**	103,792
Total	**1,382,844**	1,441,648
Less—Accounts and notes receivable, net	**1,033,940**	1,052,433
Long-term receivables, net	**$ 348,904**	$ 389,215

Current and long-term debt

8 Current and long-term debt balances comprise the following:

	Minimum annual retirement	December 31 1982	December 31 1981
(thousands)			
Notes payable within one year			
Payable to banks		**$150,651**	$289,741
Commercial paper			107,701
Total notes payable within one year		**$150,651**	$397,442
Long-term debt			
Commercial paper supported by revolving credit agreements with banks		**$241,490**	$320,000
15¾% notes due March 1988		**50,000**	
13½% notes due January 1991		**75,000**	
13½% French loans due 1982			18,000
12½% bank term loan repayable in four equal annual installments commencing December 1985		**19,000**	19,000
11½% sinking fund debentures due August 2010 (a)	$6,000	**150,000**	150,000
10¾% notes due August 1987		**100,000**	100,000
9¾% notes repayable in equal annual installments of $6,000 commencing June 1985 with balance due June 1990		**42,500**	45,500
8½% Japanese loans repayable with $4,019 due October 1985 and $16,478 October 1986		**20,497**	23,817
6% sinking fund debentures due June 1992	1,300	**4,062**	16,993
5¼% sinking fund debentures due 1990, discounted at 15%	6,000	**41,887**	40,680
4½% sinking fund debentures due July 1988	1,000	**5,000**	9,951
4⅜% sinking fund debentures due July 1983	1,000	**4,979**	4,979
3¾% and 5½% British convertible unsecured loan stock due 1982 and 1985, convertible into common stock of Burroughs Corp. at $70 and $95 per share, respectively		**11,678**	13,278
Capital lease obligations		**35,518**	29,976
Other	Various	**47,544**	43,510
Total		**849,155**	835,684
Less—Current maturities (b)		**18,579**	31,343
Total long-term debt		**$830,576**	$804,341

(a) Minimum annual retirements begin in 1991.
(b) Includes current obligations under capital leases of $2,666 in 1982 and $2,079 in 1981.

Notes to consolidated financial statements (continued)

BURROUGHS CORPORATION AND SUBSIDIARY COMPANIES

(Current and long-term debt, note 8, continued)

Current payable to banks represents borrowings of subsidiaries outside the U.S., comprising bank overdrafts and short-term notes payable. The interest rates on these borrowings vary considerably, depending primarily upon the countries in which the subsidiaries operate. The average interest rates for these borrowings at December 31, 1982 and 1981 were 22.1% and 17.6%, respectively.

Commercial paper is sold within the U.S. at negotiated rates. The average interest rates for commercial paper outstanding at December 31, 1982 and 1981 were 8.7% and 12.5%, respectively. The portion of commercial paper supported by revolving credit agreements described below has been classified as long-term since it is the Company's intention to maintain the availability of these agreements throughout 1983.

In November and December, 1981 the Company entered into two bank revolving credit agreements totaling $321 million. Under one of the agreements, the Company may borrow until November 30, 1984 up to $250 million, in domestic or Eurodollar loans. These borrowings bear interest at the agent bank's prime rate for domestic loans, or at 3/8% above the London Interbank Offering Rate (LIBOR) for Eurodollar loans. Under this agreement the Company has the option to convert these facilities to four-year term loans bearing interest at the agent bank's prime rate for domestic loans or 3/8% over the LIBOR through November 30, 1985, and thereafter with such interest rates increasing by 1/4% to 1/2%. Under the other bank revolving credit agreement, the Company may borrow in domestic or Eurodollar loans up to an aggregate of $71 million until December 1985 and thereafter amounts reducing annually by approximately $18 million until December 1988. These borrowings bear interest at the agent bank's prime rate through December 3, 1985 and thereafter increasing by 1/4% to 1/2% for domestic loans, or at 3/8% over the LIBOR for Eurodollar loans. A commitment fee of 3/8% is required for the average unused portion of both revolving credit agreements.

The Company also has agreements with 46 banks in the U.S. whereby it may borrow up to $235 million under open lines of credit at the prime interest rate. For $205 million of these lines, the Company has agreed to maintain with the banks, as compensating cash balances, an average balance of 10% of any amounts borrowed and pay a 1/4% fee for amounts not in use. For the remaining $30 million, the Company has agreed to maintain an average of 10% of any amounts borrowed and, in recognition of the Company's cash management requirements, 10% of the unused lines of credit. It is the general policy of the Company that the total of U.S. short-term borrowings and commercial paper sold within the U.S. will not exceed the total of all revolving credit agreements and open lines of credit.

The aggregate amounts of long-term debt maturing in 1983, 1984, 1985, 1986 and 1987, exclusive of commercial paper borrowings are $18.6, $17.5, $37.5, $38.7 and $128.2 million, respectively.

Marketable equity securities

9 The Company has entered into an OEM Corporate Pricing Agreement and a Warrant Purchase Agreement with Convergent Technologies, Inc. (CT). Under the Warrant Purchase Agreement the Company holds warrants to purchase 750,000 shares of CT common stock at $4.67 per share and up to 1,608,000 shares of CT common stock at $6.67 per share. The warrants become exercisable when specified levels of CT products have been purchased and expire upon the latter of June 30, 1986 or two years after the specific purchase requirement is fulfilled. The Warrant Purchase Agreement contains certain anti-dilution provisions whereby the Company may obtain share and price adjustments. Warrants for the first 750,000 shares have been earned. The value of these warrants and other equity investments are included in other assets and carried at the lower of aggregate cost or market. At December 31, 1982, cost and market value of these investments are $6 million and $13.3 million, respectively.

Pension plans

10 Retirement income plans cover substantially all employees. The Company and its domestic subsidiaries have retirement plans under which funds are deposited with trustees. All major subsidiaries outside the U.S. provide for employees pension plans in conformity with local requirements and practices.

Pension costs charged to operations in 1982, 1981 and 1980 amounted to $53.9, $48.1 and $64.1 million, respectively, including amortization of prior service costs over periods up to 30 years and in 1980 $15.5 million of estimated costs associated with the special retirement program. Generally it is the Company's practice to fund pension costs as accrued.

A summary of estimated accumulated plan benefits and plan net assets for the Company's defined benefit plans which are covered under ERISA regulations at December 31, 1982 and 1981 is as follows:

	December 31	
	1982	1981
(thousands)		
Actuarial present value of accumulated plan benefits		
Vested	**$516,816**	$493,012
Non-vested	**27,498**	31,267
Total	**$544,314**	$524,279
Net assets available for benefits	**$571,138**	$476,811

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 8.61% for 1982 and 8.65% for 1981.

The actuarial value of accumulated benefits or net assets available for benefits are not determined for the Company's foreign pension plans. For these plans, the actuarially computed value of vested benefits exceeded the actuarial value of fund assets by approximately $6.7 million and $5.4 million at December 31, 1982 and 1981, respectively.

Estimated income taxes

(thousands)	1982	1981	1980
Earnings (loss) before income taxes and cumulative effect of accounting change			
United States	**$(116,844)**	$170,560	$ 82,984
Foreign	**191,972**	83,566	51,388
Total before cumulative effect of accounting change	**75,128**	254,126	134,372
Cumulative effect of accounting change before income taxes	**47,500**		
Total earnings before income taxes	**$ 122,628**	$254,126	$134,372
Estimated income taxes (credit) before cumulative effect of accounting change			
Current			
United States	**$ (90,000)**	$ 29,500	$ 39,900
Foreign	**87,600**	65,100	37,000
State and local	**4,300**	4,500	15,500
Total	**1,900**	99,100	92,400
Deferred			
United States	**(19,800)**	12,300	(46,200)
Foreign	**1,800**	(6,200)	6,200
Total	**(18,000)**	6,100	(40,000)
Total estimated income taxes (credit) before cumulative effect of accounting change	**(16,100)**	105,200	52,400
Estimated income taxes on cumulative effect of accounting change	**21,100**		
Total estimated income taxes	**$ 5,000**	$105,200	$ 52,400
Tax effects of timing differences before cumulative effect of accounting change were as follows:			
Depreciation and amortization	**$ (539)**	$ 8,347	$ (391)
Installment receivables	**(2,487)**	1,078	15,907
Elimination of intercompany profits	**24,193**	14,242	(13,368)
Pension and other employee benefits	**(795)**	(9,873)	(13,271)
Exchange gains and losses	**4,361**	(2,227)	2,416
Allowance for doubtful accounts	**(505)**	6,948	(10,449)
Inventory valuation	**(32,654)**	(20,809)	(11,213)
Reduction of DISC deferred taxes	**(17,000)**		
Other	**7,426**	8,394	(9,631)
Total before cumulative effect of accounting change	**(18,000)**	6,100	(40,000)
Cumulative effect of accounting change for inventories	**21,100**		
Total	**$ 3,100**	$ 6,100	$ (40,000)
Income taxes before cumulative effect of accounting change were estimated at rates other than the statutory United States income tax rate as follows:			
United States income tax rate	**46.0%**	46.0%	46.0%
Difference in effective tax rate on earnings of foreign subsidiaries	**15.3**	7.7	8.3
Foreign taxes, net of United States benefit	**7.8**	(1.7)	.3
Investment tax credits	**(32.0)**	(8.6)	(6.9)
Research and development tax credits	**(14.2)**	(.4)	
Reduction of DISC deferred taxes	**(22.6)**		
Undistributed DISC earnings	**(10.2)**	(2.4)	(4.8)
Purchase price accounting adjustments	**(11.8)**		
Tax exempt interest	**(6.2)**	(2.3)	(3.2)
Other	**6.5**	3.1	(.7)
Effective tax rate on income before cumulative effect of accounting change	**(21.4)%**	41.4%	39.0%

Year ended December 31

Notes to consolidated financial statements (continued)

BURROUGHS CORPORATION AND SUBSIDIARY COMPANIES

(Estimated income taxes, note 11, continued)

Cumulative undistributed earnings of International subsidiaries, for which no additional United States and foreign taxes have been provided, approximated $208 million at the end of 1982. The additional taxes payable if foreign earnings were distributed would be at a rate less than the United States income tax rate since taxes already paid in other countries would be credited against such United States income tax. Cumulative undistributed DISC earnings, for which no United States taxes have been provided, approximated $138 million at the end of 1982.

The effective tax rate on the cumulative effect of the accounting change for inventories varied from the statutory income tax rate as a result of taxes on earnings of foreign subsidiaries.

At December 31, 1982, net operating loss carryforwards of certain International subsidiaries amounted to $74 million. Of this amount, $13 million may be carried forward indefinitely and the remainder expires as follows (in millions): 1983, $4; 1984, $3; 1985, $10; 1986, $23; 1987, $9; thereafter, $12. Investment tax credit carryforwards of purchased subsidiaries amounted to $22 million at December 31, 1982, expiring in various amounts through 1995.

The Internal Revenue Service has completed its examination of the Company's income tax returns for the years 1974-1976 and is currently examining the Company's income tax returns for the years 1977–1979. Management believes that adequate provisions for income taxes have been made for all years.

Common stock, paid-in capital, retained earnings, and treasury stock

12 Changes in issued common stock, paid-in capital, retained earnings and treasury stock for the three years ended December 31, 1982 were as follows:

	Common stock		Paid-in	Retained	Treasury stock	
	Shares	Amount	capital	earnings	Shares	Amount
(thousands)						
Balance at December 31, 1979	41,234	$206,171	$422,582	$1,507,173	(41)	$ (415)
Sale of stock under the stock purchase and option plans	313	1,563	13,173			
Conversion of convertible debt	4	22	286			
Net income				81,972		
Dividends declared				(107,501)		
Balance at December 31, 1980	41,551	207,756	436,041	1,481,644	(41)	(415)
Sale of stock under the stock purchase and option plans	457	2,289	12,040			
Purchase of treasury stock					(421)	(13,623)
Acquisition of Memorex	139	694	2,528		337	10,736
Retirement of treasury stock	(84)	(422)	(2,465)		84	2,887
Net income				148,926		
Dividends declared				(108,540)		
Balance at December 31, 1981	42,063	210,317	448,144	1,522,030	(41)	(415)
Sale of stock under the stock purchase and option plans	**4**	**13**	**(1,389)**		**539**	**17,902**
Purchase of treasury stock					**(728)**	**(25,323)**
Exchange of 4½% and 6% sinking fund debentures for common stock	**359**	**1,797**	**11,407**			
Retirement of treasury stock	**(55)**	**(272)**	**(1,581)**		**55**	**1,853**
Net income				**117,628**		
Dividends declared				**(109,495)**		
Balance at December 31, 1982	**42,371**	**$211,855**	**$456,581**	**$1,530,163**	**(175)**	**$(5,983)**

At December 31, 1982, 4,604,000 shares of unissued common stock of the Company were reserved for conversion of convertible debt and the stock purchase and stock option plans.

Stock purchase and stock option plans

13 **A. Employees' stock purchase plan.** Under this plan, as amended by the shareholders in 1982, employees (except directors and officers) may contribute up to 10% of their pay toward purchase of the Company's common stock at 85% of the lower of the market price on the first or last day of the purchase period ended June 30, 1982; and for purchase periods thereafter, at 85% of the market price on the last day of each purchase period. During 1982 and 1981, 539,000 and 457,000 shares, respectively, were sold to employees.

B. Stock option plans. The Company has common stock options outstanding under four separate stock option plans. Under the Long-Term Incentive Plan, approved by the shareholders March 24, 1982, non-qualified or incentive stock options may be granted to officers and other key employees for the purchase of 2,000,000 shares of common stock prior to December 31, 1991. Under the 1979 plan, non-qualified options may be granted for the purchase of 1,200,000 shares of common stock prior to April 30, 1985, to officers and other key employees. Under the 1975 plan and the 1971 plan, awards of options were permitted prior to April 1, 1980 and April 1, 1976, respectively. All options are granted at 100% of the market price at date of grant and expire 10 years from date of grant.

Under the Long-Term Incentive Plan, non-qualified stock options become exercisable in annual installments of 25% each year and incentive stock options become exercisable in annual installments of 50% each year beginning one year after date of grant. Incentive stock options must be exercised in the order in which they were granted. Options granted after March 1979 under the 1979 and 1975 plans become exercisable in annual installments of 25% beginning one year after date of grant. Options granted prior to April 1979 under the 1975 and 1971 plans become exercisable in five annual installments beginning two years after date of grant.

In addition to stock options, the Company may offer stock appreciation rights (SARs) under each of the stock option plans. Under this arrangement, the grantee may surrender exercisable options and receive common stock and/or cash equal to the excess of the market price at date of exercise over the option price. At December 31, 1982, there were 220,101 SARs outstanding which were granted at prices ranging from $31 to $94.

Proceeds received from the exercise of options are credited to the capital accounts in the year the options are exercised. Compensation expense is recorded for SARs based on the difference between the market and option prices.

The following summarizes the changes in options under all plans for the two years ended December 31, 1982:

	1982		1981	
	Shares under option (thousands)	Price range	Shares under option (thousands)	Price range
Outstanding at beginning of year	**1,794**	**$31-94**	1,532	$51-94
Granted	**640**	**31-43**	1,176	31-52
Exchanged			(498)	62-81
Exercised	**(1)**	**43**		
Terminated	**(169)**		(416)	
Surrendered for SARs	**(19)**			
Outstanding at end of year	**2,245**	**$31-94**	1,794	$31-94
Exercisable at end of year	**743**		468	
Shares available for granting options at end of year	**1,521**		62	

Foreign currency translation adjustments

14 Changes in foreign currency translation adjustments for the year ended December 31, 1982 are as follows:

	1982
(thousands)	
Balance at beginning of year	**$ 54,901**
Aggregate amount of translation adjustments and gains and losses resulting from hedging and intercompany transactions of a long-term investment nature	**102,307**
Income taxes resulting from translation, hedging and intercompany transactions	**(5,241)**
Balance at end of year	**$151,967**

The aggregate impact of foreign transaction and exchange gains and losses included in income in each year was not significant.

Business segments

15 The Company operates primarily in one business segment—data processing and business equipment, and related services and supplies. This segment represents more than 90% of consolidated revenue, operating profit, and identifiable assets.

A summary of the Company's operations by geographic area for 1982, 1981 and 1980 is presented below:

(thousands)	**1982**	1981	1980
Revenue			
United States			
Unaffiliated customers	**$2,448,489**	$2,037,370	$1,635,267
Sales and transfers between geographic areas	**417,956**	265,110	348,476
Total	**2,866,445**	2,302,480	1,983,743
Europe/Africa			
Unaffiliated customers	**970,025**	742,052	733,515
Sales and transfers between geographic areas	**96,264**	90,328	110,610
Total	**1,066,289**	832,380	844,125
Americas/Pacific			
Unaffiliated customers	**767,737**	626,006	533,574
Sales and transfers between geographic areas	**102,528**	107,955	109,375
Total	**870,265**	733,961	642,949
Adjustments and eliminations			
Sales and transfers between geographic areas	**(616,748)**	(463,393)	(568,461)
Consolidated revenue	**$4,186,251**	$3,405,428	$2,902,356
Operating profit			
United States	**$ (26,326)**	$ 221,735	$ 152,286
Europe/Africa	**168,073**	111,767	121,135
Americas/Pacific	**119,659**	86,913	26,131
Adjustments and eliminations	**45,005**	27,897	(26,903)
Consolidated operating profit	**306,411**	448,312	272,649
General corporate expenses	**(59,190)**	(49,108)	(56,904)
Interest expense	**(172,093)**	(145,078)	(81,373)
Consolidated earnings before income taxes	**$ 75,128**	$ 254,126	$ 134,372
Identifiable assets			
United States	**$2,895,543**	$3,057,608	$2,734,907
Europe/Africa	**701,491**	947,907	849,123
Americas/Pacific	**673,494**	729,447	739,357
Adjustments and eliminations	**(280,677)**	(347,902)	(522,902)
Consolidated identifiable assets	**3,989,851**	4,387,060	3,800,485
Corporate assets	**133,272**	52,340	54,209
Consolidated total assets	**$4,123,123**	$4,439,400	$3,854,694

Sales and transfers between geographic areas are made with reference to prevailing market prices and at prices approximating those charged to unaffiliated distributors. Operating profit is revenue less related costs and operating expenses, excluding interest and the unallocated portion of corporate expenses. Earnings before taxes for 1982 exclude the cumulative effect of accounting change for inventories for years prior to 1982.

Corporate assets are those assets maintained for general purposes, principally cash, short-term investments, facilities and, in 1982, recoverable income taxes.

The Company's investment in International operations was $628, $567 and $563 million at December 31, 1982, 1981 and 1980, respectively.

No single customer accounted for more than 10% of revenue in 1982, 1981 or 1980, except that revenue from various agencies of the U.S. government approximated $350 million in 1981.

Lease information and co[illegible]

16 The Company and its su[illegible] entered into certain renewable non-cancelable leases primarily for marketing facilities. The rental payments are based on a minimum rental with certain agreements requiring payment by the Company of executory costs. These leases require minimum annual rentals as follows:

	Operating leases	Capital leases
(thousands)		
1983	$ 73,510	$ 8,365
1984	60,855	8,289
1985	51,384	8,067
1986	38,225	7,725
1987	29,024	6,869
Later years	98,228	40,892
Total minimum lease payments	$351,226	80,207
Less—Executory costs		19,234
Net minimum lease payments		60,973
Less—Amount representing interest		25,455
Present value of net minimum lease payments		$35,518

The total minimum lease payments for operating leases have been reduced by minimum sublease rentals of $9.9 million due in the future under non-cancelable subleases.

Expenses for rentals for 1982, 1981 and 1980 were $91.9, $72.2 and $54.7 million, respectively.

17 A number of lawsuits have been brought and claims asserted against the Company with respect to certain mini-computer installations. Many of these matters are in preliminary stages of review and discovery. Although the resolution of any litigation and claims is uncertain, the amounts claimed exceed substantially the Company's estimate of its potential liability by way of judgment or settlement. Based upon a review of information available and consultation with legal counsel, it is management's opinion that the ultimate disposition of these matters will not have a material adverse effect on the consolidated financial position of the Company.

In addition to the matters described above, numerous other actions or claims have been brought or asserted against the Company. After consultation with legal counsel, management does not consider such actions or claims to be material to the Company's consolidated financial position.

Supplement financial data

BURROUGHS CORPORATION AND SUBSIDIARY COMPANIES

in conformity with the guidelines outlined by the Financial Accounting Standards Board (FASB), the Company has estimated the effects of inflation and changing prices on the consolidated financial statements. Since the Company measures a significant portion of its operations in functional currencies other than U.S. dollars, certain general inflation (constant dollar) information is no longer required.

The objective of the information presented is to measure the effects of changes in specific prices (also referred to as current costs) on the resources utilized in the Company's operations. This method of reporting requires restatement of inventories, rental equipment, and properties in terms of specific current year costs. Accordingly, the resources of the Company and their consumption are stated at current replacement cost, rather than the historical cost amounts expended to acquire them.

Current year costs of inventories and rental equipment were determined by applying internally generated price indices, which compensate for changes in technology and production methods. Current costs of properties were estimated using ... government and trade organizations and appraisals.

The amounts reported in the primary financial statements have been adjusted only for depreciation expense and the inventory components of cost of sales in determination of net income adjusted for changes in specific prices. Revenues and all other operating expenses are considered representative of the specific price levels for the year and, accordingly, have not been adjusted. The net income amounts adjusted for changes in specific prices are exclusive of any income tax adjustment.

The Company cautions against the use of this information since the method required by the FASB in developing the information involves the use of assumptions, approximations, and estimates. Therefore, the information is not a precise indicator of the effects of changes in specific prices and may not be comparable with that of other companies, including those within the industry.

The consolidated statement of income for the year ended December 31, 1982 adjusted for the effect of changes in specific prices is as follows:

(millions, except per share data)	As included in the primary statements	Adjusted for changes in specific prices (current costs)
Revenue	$4,186.3	$4,186.3
Cost of products sold, rentals and equipment service (a)	2,394.9	2,419.6
Depreciation and amortization expense (b)	379.9	437.7
Other operating expenses (a)	1,164.3	1,164.3
Interest expense	172.1	172.1
Estimated income taxes	(16.1)	(16.1)
Total costs and expenses	4,095.1	4,177.6
Income before cumulative effect of accounting change (c)	$ 91.2	$ 8.7
—Per common share	$2.17	$.21
Gain from decline in purchasing power of net monetary items		$ 20.3
Effect of increase in general inflation		$ 99.9
Increase in specific prices (current costs) of inventories, rental equipment, and properties held during the year (d)		94.0
Excess of the increase in general inflation over increase in specific prices		$ 5.9
Decrease in equity resulting from translation adjustments		$ 121.7

(a) Excludes depreciation and amortization expense.
(b) The increase in specific prices over historical costs results, in part, from the current cost to replace assets of Memorex. See note 6 of the Notes to consolidated financial statements.
(c) The cumulative effect for years prior to 1982 of accounting change for inventories amounted to $ 26.4 million.
(d) At December 31, 1982, current cost of inventory was $1,200.3 million and current cost of rental equipment and properties, net of accumulated depreciation, was $1,619.2 million.

The following summary shows selected financial information adjusted for general inflation in average 1982 dollars:

(millions, except per share data)	**1982**	1981	1980	1979	1978
	Year ended December 31				
Revenue	**$4,186.3**	$3,614.2	$3,399.8	$3,764.7	$3,639.6
Average consumer price index	**289.1**	272.4	246.8	217.4	195.4
Income before cumulative effect of accounting change—current cost	**8.7**	119.4	79.8	458.8	
—Per common share	**.21**	2.87	1.93	11.18	
Net assets—current cost	**2,382.7**	2,649.2	2,556.1	2,751.0	
Excess of the increase in general inflation over increase in specific prices	**5.9**	162.3	194.7	189.4	
Gain (loss) from decline in purchasing power of net monetary items	**20.3**	36.8	(8.7)	(44.9)	
Cash dividends declared per share	**2.60**	2.76	3.05	2.79	2.22
Market price per share at year-end	**41.88**	36.42	62.74	104.64	108.47

elected financial data

thousands, except per share data)

evenue	**$4,186,251**	$3,405,428	$2,902,356	$2,830,976	$2,460,002
ncome before cumulative effect of accounting change for inventories	**91,228**	148,926	81,972	305,536	253,364
—Per common share	**2.17**	3.58	1.99	7.45	6.21
ro forma income with accounting change for inventories applied retroactively	**91,228**	152,119	84,359	310,062	253,861
—Per common share	**2.17**	3.65	2.04	7.56	6.22
Cash dividends declared per share	**2.60**	2.60	2.60	2.10	1.50
otal assets	**4,123,123**	4,439,400	3,854,694	3,297,784	2,861,503
ong-term debt	**830,576**	804,341	372,455	190,468	193,066

he cumulative effect of accounting change for inventories for years prior to 1982 amounted to $26.4 nillion, or $.63 per share. See note 2 of Notes to consolidated financial statements.

uarterly financial information	First quarter	Second quarter	Third quarter	Fourth quarter	Total for year
thousands, except per share data)					
1982					
Revenue	**$990,088**	**$1,060,290**	**$1,015,290**	**$1,120,583**	**$4,186,251**
Gross profit	**377,434**	**407,703**	**383,681**	**256,783**	**1,425,601**
ncome (loss) before cumulative effect of accounting change for inventories	**30,026**	**40,038**	**36,764**	**(15,600)**	**91,228**
—Per common share	**.72**	**.95**	**.87**	**(.37)**	**2.17**
Net income (loss)	**56,426**	**40,038**	**36,764**	**(15,600)**	**117,628**
—Per common share	**1.35**	**.95**	**.87**	**(.37)**	**2.80**
1981					
Revenue	$756,485	$834,159	$797,271	$1,017,513	$3,405,428
Gross profit	310,684	338,059	324,734	405,216	1,378,693
Net income	22,250	31,325	32,408	62,943	148,926
—Per common share	.54	.75	.78	1.51	3.58
Pro forma income with accounting change for inventories applied retroactively	23,196	32,167	33,143	63,613	152,119
—Per common share	.56	.77	.80	1.52	3.65

In the fourth quarter of 1982, the Company changed its method of accounting for inventories as described in note 2 of Notes to consolidated financial statements. Accordingly, the results for prior 1982 quarters have been restated to reflect the accounting change as of January 1, 1982. The effect of the accounting change was to increase 1982 first, second and third quarter income before cumulative effect of accounting change by $2.9 million (or $.07 per share), $3.6 million (or $.09 per share) and $.6 million (or $.01 per share), respectively. In addition, 1982 first quarter net income was increased by $26.4 million (or $.63 per share) for the cumulative effect of the accounting change.

Reference should be made to note 3 of Notes to consolidated financial statements on page 29 for information on 1982 fourth quarter adjustments.

During the fourth quarter of 1982 the estimated annual effective tax rate was reduced. As a result, the net loss for the fourth quarter of 1982 was reduced by $53.7 million (or $1.28 per share).

During the third quarter 1982 and 1981 the estimated annual effective tax rate was reduced. As a result, net income for the third quarter of 1982 and 1981 was favorably affected by $4.9 million (or $.12 per share) and $1.7 million (or $.04 per share), respectively.

Gross profit for 1981 has been restated to conform to the presentation methods adopted in 1982.

Product and service revenues	**1982**		1981		1980	
(millions of dollars)						
Information systems and equipment	**$2,307.1**	**55%**	$1,876.9	55%	$1,667.3	57%
Equipment service	**1,033.5**	**25**	841.1	25	746.1	26
Media products, business forms and supplies	**508.7**	**12**	384.5	11	379.5	13
Special purpose products and components	**246.0**	**6**	216.0	6	64.4	2
Interest and other income	**91.0**	**2**	86.9	3	45.1	2
Total revenue	**$4,186.3**	**100%**	$3,405.4	100%	$2,902.4	100%

Investor information

Annual meeting
Shareholders are invited to attend the Burroughs annual meeting of shareholders, which will be held Thursday, April 7, 1983 at 2:30 p.m. EST, at the Detroit Institute of Arts auditorium, 5200 Woodward, Detroit. The auditorium is served by an entrance located on John R Avenue.

Formal notice of the meeting, the proxy statement and proxy material will be mailed March 3, 1983 to each shareholder of record as of Feb. 8, 1983.

Burroughs common stock is traded on exchanges in New York, Chicago, Cincinnati, Los Angeles, and San Francisco in the United States, and in London, Amsterdam, Antwerp, Basel, Brussels, Geneva, Lausanne, and Zurich.

Transfer agent and registrar
Morgan Guaranty Trust Company of New York

Independent accountants
Price Waterhouse

Burroughs has established an Investor Relations office to assist shareholders and the investment community. Investor information can be obtained by contacting:
Jack F. McHale,
director Investor Relations
Burroughs Corporation
Burroughs Place (4A10)
Detroit, MI 48232
(313) 972-7442

Financial publications, such as the annual report, 10-year financial summary, quarterly financial reports, form 10-K and 10-Q reports, which are filed with the Securities and Exchange Commission, can be obtained without charge by contacting:
Financial Communications
Burroughs Corporation
Burroughs Place (2F26)
Detroit, MI 48232
(313) 972-9391

Shareholder records
Administrative inquiries relating to shareholder records, stock transfer, change of ownership, and change of address should be directed to:
Office of the Treasurer
Shareholder Records
Burroughs Corporation
Burroughs Place (4D21)
Detroit, MI 48232

Price range of common stock

	1982		1981		1980		1979		1978	
First quarter high-low	$38	30¾	$55⅜	47½	$87½	62	$78	64½	$73	58⅜
Second quarter high-low	37¾	31¼	53⅞	38¼	71⅞	60⅜	73	67⅝	79½	58⅜
Third quarter high-low	38⅞	29⅝	40	29⅜	72	61½	75½	66⅜	88	71¼
Fourth quarter high-low	49⅛	34¼	35⅜	27⅛	64⅛	46¼	83	67⅞	78	68⅛
Yearly high-low	49⅛	29⅝	55⅜	27⅛	87½	46¼	83	64½	88	58⅜

Prices are as quoted on the New York Stock Exchange composite listing. As of December 31, 1982, there were approximately 56,000 security holders.

Dividends paid per share

	1982	1981	1980	1979	1978
First quarter	$ .65	$ .65	$ .55	$ .40	$ .25
Second quarter	.65	.65	.65	.50	.35
Third quarter	.65	.65	.65	.50	.35
Fourth quarter	.65	.65	.65	.55	.40
Total	$2.60	$2.60	$2.50	$1.95	$1.35

DSG 9051

Burroughs Corporation
FEDERAL AND SPECIAL SYSTEMS GROUP
7925 Jones Branch Drive • McLean, VA 22102

7D18

Mr. Harry Fitzwater
Central Intelligence Agency
Washington, D. C. 20505

Board of Directors

Charles F. Barber has been a director since 1981. Mr. Barber is retired chairman of the board and chief executive officer of Asarco Incorporated, of New York, a producer of nonferrous metals, coal, oil, and natural gas.

W. Michael Blumenthal has been a director since 1979. Mr. Blumenthal is chairman of the board and chief executive officer of Burroughs.

James C. Fletcher has been a director since 1977. Dr. Fletcher is a professor of technology and energy resources at the University of Pittsburgh. He holds the William K. Whiteford honorary chair at the university, and formerly was administrator of the National Aeronautics and Space Administration (NASA).

Jerome Jacobson has been a director since 1980. Mr. Jacobson is vice chairman of the board of Burroughs.

Wade H. McCree Jr. has been a director since 1981. Mr. McCree is a professor of law at the University of Michigan. He holds the Lewis M. Simes honorary chair at the university, and formerly was solicitor general of the United States.

William G. Milliken has been a director since January 1983. Mr. Milliken is a retired governor of the State of Michigan, having served in that office from 1968 to 1982. He is chairman of the board of the Center for the Great Lakes.

Paul S. Mirabito has been a director since 1968. Mr. Mirabito is retired chairman of the board of Burroughs.

Alan E. Schwartz has been a director since 1971. Mr. Schwartz is an attorney and a senior partner of the Honigman Miller Schwartz and Cohn law firm, of Detroit.

Arthur R. Seder Jr. has been a director since 1977. Mr. Seder is chairman of the board, president, and chief executive officer of American Natural Resources Company, of Detroit, which transports, stores, and markets natural gas in the midwestern United States.

Harold T. Shapiro has been a director since 1981. Dr. Shapiro is president and a professor of economics and public policy at the University of Michigan.

Paul G. Stern has been a director since May 1982. Dr. Stern is president and chief operating officer of Burroughs.

Robert M. Surdam has been a director since 1968. Mr. Surdam is retired chairman of the board of NBD Bancorp, Inc., and its subsidiary, the National Bank of Detroit.

Elected Officers

W. Michael Blumenthal, chairman and chief executive officer
Paul G. Stern, president and chief operating officer
Jerome Jacobson, vice chairman

Clarence W. Spangle, executive vice president
Donald E. Young, executive vice president

William P. Conlin, senior vice president
Philip S. Dauber, senior vice president
George E. Mueller, senior vice president
W. Lee Shevel, senior vice president

William J. Beckham Jr., vice president
Jean L. Frenois, vice president
J. Marne Gleason, vice president
Robert F. Holmes, vice president
Carl H. Janzen, vice president
George R. Johnson, vice president
Stanley Jones, vice president
Leon J. Level, vice president and treasurer
Eric V. McGlone, vice president
Fred R. Meier, vice president
Eugene L. Merlino Jr., vice president
Robert D. Merrell, vice president
Kenneth L. Miller, vice president and secretary
Robert J. O'Connell, vice president
John W. O'Leary, vice president
Ben L. Rouse, vice president
David J. Rynne, vice president and controller
William G. TenBrink, vice president
Jack F. Thompson, vice president
James A. Unruh, vice president

Rajaballi K. Pradhan, general auditor
Jack R. Silverberg, assistant treasurer
Walter J. Williams, assistant secretary

About the Company

Burroughs is a worldwide company in the electronics-based information systems industry. With a history dating back to 1886, it was one of the first to respond to the office equipment needs of business. Since then, the Company's line of information processing products has evolved to keep up with the industrialized world's need to manage vast and rapidly growing quantities of information.

Burroughs products now number in the thousands. They include computers and computer-based systems, office automation products, storage and communications systems, peripherals, and a growing list of application software and professional services to support them.

With marketing and support operations in 112 countries, engineering and manufacturing centers in 13 countries, and some 62,000 employees around the globe, Burroughs is truly an international presence in this industry.

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